The MAGAZINE of WALL STREET

and BUSINESS ANALYST

APRIL 3, 1954 | 85 CENTS

Appraisal of 1954 Outlook for TV–Electronics–Movies

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SPECIAL STUDIES OF MAJOR INDUSTRIES

IS INFLATION FROZEN INTO OUR ECONOMY?
By HOWARD NICHOLSON

★

WHERE DIVIDENDS CAN BE MAINTAINED DESPITE LOWER EARNINGS
By WARD GATES

★

Potential Business Stimulant in $100 BILLION BACKLOG OF STATE — LOCAL PROJECTS
By W. L. BRADFORD

ANNUAL REPORT for 1953

of P. Lorillard Company

Makers of Fine Tobacco Products

CONSOLIDATED INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1953	*1952*
Sales (less discounts, returns, and allowances)	$253,933,462	$214,508,482
Cost of Goods Sold, Selling, Advertising, and Administrative Expenses	232,777,823	201,096,117
Operating Income	$ 21,155,639	$ 13,412,365
Other Income (net)	152,148	255,184
	$ 21,307,787	$ 13,667,549
Interest Expense	2,520,216	2,026,607
Income before Taxes on Income	$ 18,787,571	$ 11,640,942
Federal Income Tax	$ 9,503,000	$ 5,798,000
Federal Excess Profits Tax	1,712,000	*72,000*
State Income Taxes	379,000	214,000
Total Taxes on Income	$ 11,594,000	$ 5,940,000
Net Income	$ 7,193,571	$ 5,700,942
Retained Earnings at beginning of year	29,413,840	28,143,205
	$ 36,607,411	$ 33,844,147
Dividends on Preferred Stock ($7.00 per share)	$ 686,000	$ 686,000
Dividends on Common Stock ($1.60 per share in 1953, $1.50 in 1952)	4,457,477	3,744,307
	$ 5,143,477	$ 4,430,307
Retained Earnings at End of Year	$ 31,463,934	$ 29,413,840

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31	
	1953	*1952*
CURRENT ASSETS:		
Cash	$ 7,622,449	$ 8,547,344
Accounts receivable—customers (less $660,839 in 1953 and $643,811 in 1952 for doubtful accounts and cash discounts)	11,629,297	9,602,442
Other accounts receivable	453,609	323,262
Inventories (at average cost):		
Leaf tobacco	116,690,466	110,093,684
Manufactured stock and revenue stamps	14,188,749	10,365,707
Materials and supplies	4,847,955	4,548,705
Total current assets	$155,432,525	$143,481,144
PROPERTY, PLANT, AND EQUIPMENT		
(As adjusted December 31, 1932 by authorization of stockholders, plus subsequent additions at cost, less retirements):		
Land	$ 991,874	$ 866,529
Buildings and building equipment	7,979,883	7,730,775
Machinery and equipment	15,421,127	14,007,918
	$ 24,392,884	$ 22,605,222
Less accumulated depreciation	8,174,245	7,519,378
Total property, plant, and equipment—net	$ 16,218,639	$ 15,085,844
PREPAID EXPENSES AND DEFERRED CHARGES	$ 1,387,373	$ 1,340,361
UNAMORTIZED DEBENTURE DISCOUNT AND EXPENSE	$ 952,550	$ 424,655
BRANDS, TRADE MARKS, AND GOODWILL	$ 1	$ 1
TOTAL	$173,991,088	$160,332,005

LIABILITIES

	December 31	
	1953	*1952*
CURRENT LIABILITIES:		
Notes payable (banks)	$ 25,700,000	$ 49,700,000
Accounts payable	3,450,467	3,946,273
Debentures due within one year	950,000	600,000
Accrued taxes	12,042,934	6,502,735
Accrued payrolls	1,225,779	801,317
Accrued interest	476,438	270,000
Other accrued liabilities	317,409	291,168
Total current liabilities	$ 44,163,027	$ 62,111,493
LONG-TERM DEBT:		
Twenty Year 3% Debentures, due October 1, 1963 ($600,000 to be retired annually to 1962)	$ 14,800,000	$ 15,400,000
Twenty-five Year 3% Debentures, due March 1, 1976 ($350,000 to be retired annually to 1975)	14,650,000	15,000,000
Twenty-five Year 3¾% Debentures, due April 1, 1978 ($675,000 to be retired annually 1956-1977)	22,500,000	—
Total long-term debt	$ 51,950,000	$ 30,400,000
CAPITAL AND RETAINED EARNINGS:		
7% Cumulative Preferred Stock (par value $100 per share)—authorized 99,576 shares; issued 98,000 shares	$ 9,800,000	$ 9,800,000
Common Stock (par value $10 per share)—authorized 5,000,000 shares; issued 2,852,854.89 shares in 1953, 2,496,281.89 in 1952	28,528,549	24,962,819
Additional paid-in capital (premiums less expenses on common stock issued)	8,085,578	3,643,853
Earnings retained for use in the business	31,463,934	29,413,840
Total capital and retained earnings	$ 77,878,061	$ 67,820,512
TOTAL	$173,991,088	$160,332,005

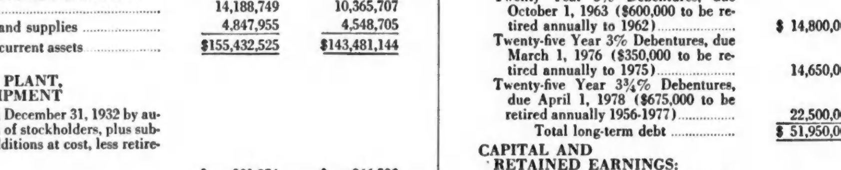
Notes: (1) As a result of restrictions contained in the debenture indentures on the payment of dividends on common stock and the purchase, redemption, or retirement of such stock, the amount which could have been expended for such purposes at December 31, 1953 was limited to $9,550,094.
(2) Funds held by disbursing agents for payment of preferred and common dividends, debenture interest, etc., aggregating $2,246,977 at December 31, 1953 and $511,918 at December 31, 1952, and the related liabilities, have been excluded from the balance sheet.
(3) Provision for depreciation amounted to $1,051,457 in 1953 and $950,870 in 1952.

We'll be glad to send you a copy of our illustrated Annual Report for 1953. Write P. Lorillard Company, 119 West 40th Street, New York 18, N. Y.

P. Lorillard Company

AMERICA'S OLDEST TOBACCO MERCHANTS · ESTABLISHED 1760

Other Leading Products of P. Lorillard Company



Other Products

Cigarettes
MURAD
HELMAR

Smoking Tobaccos
FRIENDS
INDIA HOUSE

Cigars
VAN BIBBER
BETWEEN THE ACTS

Chewing Tobaccos
BAGPIPE
HAVANA BLOSSOM

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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THE STORY OF A BUSINESS THAT'S READ BY MORE PEOPLE THAN MANY A BEST SELLER

Uncle Sam's busy mail carriers recently delivered more than a million and a quarter copies of a newly published book. You wouldn't exactly call it a best seller, yet it has no doubt already been read by more people than many books on the best seller list. Every line in this book is true, yet for sheer drama it sets a pace that fiction would find hard to follow. It is the most modern of modern history — American history — newly made and still to be made.

It is the latest edition of the report that goes each year from the American Telephone and Telegraph Company to its shareowners—the people who provide the money to build the telephone system.

In our school history books we read with a sense of wonder about the laying of a cable across the Atlantic that carried messages in faint dots and dashes.

This modern history book tells of a new kind of cable soon to be laid on the ocean floor that will carry thirty-six messages at one time from continent to continent, not in dots and dashes but in the human voice itself.

It tells the dramatic story of television networks serving 161 cities, of network color television soon to be in the American home.

It tells of guided missiles that will guard our great cities against air attack, and of telephone warning systems reaching to the far northern shores of our continent.

It tells of new devices coming out of the laboratory and into the telephone system. One of the most striking of these is the tiny transistor—the mighty mite of our electronic world.

But these dramatic chapters are dwarfed by all that is implied in the simple statements that America in 1953 passed the fifty million mark in telephones, that 80% of all Bell telephones are now dial, and that nearly half of all your Long Distance calls are dialed by the operator straight through to the distant telephone.

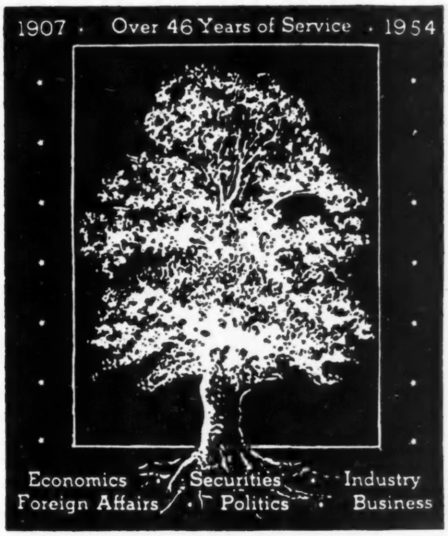
A thrilling story surely of things done and to be done, but chiefly it is a story not of things but of people. In the words of Cleo Craig, President of the American Telephone and Telegraph Company, "Ours is a service of neighbor to neighbor—human, personal, friendly, courteous.

"All the progress told in this annual report is the work of men and women, the people of the telephone companies, of the laboratory, of the manufacturing and supply organization. To say that 1953 was a constructive and successful year is also to say 'They made it so.'"

Would you like a copy of the report? We'll be glad to send it to you. Just address the American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y.

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

A TEST OF LEADERSHIP . . . The Administration's legislative program is proceeding at snail's pace. Almost half the present session is gone but there has been no final action on taxes; nor is there likely to be for another month at least, with the exception of excise taxes. Back in the wings wait the following: the farm program, Taft-Hartley, reciprocal trade, housing and social security, among other important measures. Nothing has been done on defense and foreign military aid. At the present rate of "achievement," and with less than four months to go before Congress adjourns, it is by no means improbable that the record of the present session will be among the poorest in years.

Blame for this lamentable situation cannot be placed at the door of the Committees in charge of preparing specific pieces of legislation. They, at least, have been busily engaged in holding hearings and in getting the facts together on which to base their recommendations. The fault is to be found in the wasted efforts in Congress itself, especially in the Senate, to deal with the wholly unnecessary Bricker amendment which could have been brought up at another session. Nor should we fail to mention that the Senate has been diverted from its job by the political uproar attending the fight around the junior Senator from Wisconsin. In the meanwhile, "time goes a-wasting."

Apparently, the President feels that he has done all that he can be called on to do in making his recommendations to Congress. Actually, Mr. Eisenhower has made over 200 separate legislative proposals; admittedly, a monumental accomplishment in itself. Yet, it seems to us that he is not well-advised merely to rest on his oars. To achieve his goals, he must exercise full and effective leadership, even at the cost of embroiling himself with political factions on both sides of the aisle.

The President himself has stated that the Republican party would have to go before the people next November on the basis of its record. A large part of that record will be made in the present session of Congress. Whether that record is good or bad will largely depend on the vigor of the President's leadership and the cooperation of his party, working in unison, together with the aid of the few democrats who see more or less eye to eye with the Administration on its basic aims.

ANARCHY IN UNION LABOR . . . The New York waterfront strike is a perfect example of how lawlessness can spread in labor disputes. What we have been witnessing is a vicious jurisdictional strike which has tied up the great port and has already caused the loss of several hundred million dollars. The old International Longshoreman's Association, in defiance of court order, with their leaders already in contempt, have nevertheless persisted in their contumacious stand though they are subject to heavy fines and jail terms.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

As the situation now stands, the local authorities seem helpless to avert further dislocation of the piers' activities with greater loss to the local community and the nation. If the President is called on to intervene again—the first federal injunction against the strike was issued a month ago—he may have to use troops this time to bring order into the situation. This is something no American government likes to do.

It is obvious that the present Taft-Hartley law is ineffective in extreme situations like the waterfront strike. The law must be strengthened so that the severest penalties possible be imposed on all individuals responsible for endangering public order on the scale now witnessed. Even if the strike is finally settled through federal intervention, Congress must see to it that there are no repetitions of labor union anarchy. We have had enough jurisdictional and wildcat strikes and secondary boycotts. In the past few years, such stoppages have brought the nation great hardship and human suffering, let alone losses running into billions of dollars.

ECONOMIC TRENDS COMPARED WITH A YEAR AGO . . . Because we believe comparisons of current economic trends with a year ago place the present situation and immediate prospects in good perspective, the following figures are cited, together with brief comment:

(1) industrial production index. March estimated at 120-121 compared with 134 in February 1953. This amounts to a decline of about 11%.

(2) consumers' price index—115 for February and about the same for March, compared with 113.4 in February 1953. This indicates better price stability.

(3) unemployed. Approximately 4 million for March, compared with 1.8 million a year ago. One of the weakest elements in the situation.

(4) construction contracts. Approximately $1.2 billion, against slightly over $1 billion a year ago. Surprising resiliency in this area and one of the strong spots of the economy.

(5) Total exports and imports. About $1.9 billion for January against $2.2 billion a year previous. Represents a contraction in U. S. world trade, with wide implications to specific industries such as shipping, coal, agriculture and machinery.

(6) personal income. Estimated for March at $280 billion, about the same as a year ago. Remarkable stability in view of unemployment rise but sustained by social security, pensions and unemployment insurance. Personal income, however, can decline if unemployment remains as high as at present.

Among important industries, the following represents a yearly comparison:

(1) steel operating rate. Now under 67%, compared with 103% a year ago, but this is on a larger capacity as compared with a year ago. Weekly steel ingot production is now about 1.6 million tons compared with an average of about 2.3 million tons a year ago.

(2) motor vehicle production. In the last week of March, an average of about 139,000 compared with 171,000 a year ago. Now seasonally increasing.

(3) daily oil production. Now at a weekly rate of about 6.4 million barrels, compared with approximately the same figure a year ago. No indications thus far of a decline in output.

(4) freight car loadings. Now at a weekly rate of slightly over 609,000 compared with 701,000 a year ago. Much lower earnings current.

With reference to steel, autos and railroad freight, the situation is still unsatisfactory and indicates relatively poor earnings for this group during the first quarter of the year at least.

(5) electric power output. Now at a weekly rate of about 8.57 billion kw-hrs against last year's rate of 8.07 billion. Power output remains a strong element in the general economy.

From the above, it is indicated that conditions are highly mixed, with a distinct downturn in some but not all of the major indices. The basic trend is now at a vital turning point. If the present downturn levels off in the next few weeks, a generally high rate of business activity for the balance of the year is envisaged though well below the record year of 1953. If conditions do not improve during this period, the present downturn could spiral rapidly, in which case direct government intervention may be expected.

AN IMPORTANT DECISION . . . The U. S. Supreme Court has just rendered a decision of the highest importance to public utility systems. The decision involved the property rights of the Niagara Mohawk Power Corp. along the Niagara River and affected future policies regarding the redevelopment of water resources at Niagara Falls. The contention of the government, through the Federal Power Commission, was that local (meaning in this case, public utility) property owners were entirely subordinate in all respects to the federal government in matters involving the use of navigable waters for power purposes. If this contention had been upheld, which in effect would have nullified the property rights of the litigating company, the development of water resources for power at Niagara Falls by private enterprise would have been precluded.

The Supreme Court decision now makes it possible for the five New York electric companies heavily interested in the Niagara project to seek federal approval for participation on an equitable basis. The situation still requires further clarification but it would seem that a big step forward has been taken in permitting private power companies to take their proper place not only in this important undertaking but in other vast national projects of a similar nature destined over the next few years. Generally, the outcome of the Court's decision most likely will be to encourage regulatory power commissions to adopt more liberal attitudes to the legitimate needs of the power companies.

MORE, NOT LESS . . . Over-all, there is no question, American industry is the best equipped with tools in the world. The American seller is not competing with Pakistan or France, however, but with other American sellers who may have better tools. The machine tool industry calculates that machines which can be made now have rendered more than a million present (*Continued on page* 65)

As I See It!

By E. D. KING

DANGLING THE CARROT BEFORE THE HORSE

The British government is back of a drive to increase trade with the Soviet bloc and, in pursuance of this aim, many missions, private and official, have been sent to Moscow. Although the need for increasing trade is pressing, it is nevertheless rather amazing that otherwise hard-headed British businessmen should fail to see that trade is essentially a political weapon with the Soviets. Adopting this standard technique, Moscow now desires to lure Britain with fabulous promises of trade as a helpful way of splitting the West.

The United States government has thus far expressed no open objection to increasing British and West European-Soviet trade—barring strategic materials. It takes the highly practical attitude that there is nothing to be gained by raising objections since the British, and other nations contemplating trade with the Communists, will find the results disappointing in any case. Certainly very few nations that have traded with the Soviets in the past have had any cause for satisfaction. Apparently, this does not prevent some of them from trying again despite the prospect of almost certain failure.

"BUSINESS MEN'S LUNCH"

Dowling in the N. Y. Herald-Tribune

So far as immediate trade is concerned, Russia has very little for export, outside of her lumber, grain and furs. She has large quantities of gold, of course, but her supply is not inexhaustible and she must maintain adequate reserves. Furthermore, the internal economic position of Russia is very shaky and she must retain the greatest possible amount of consumer goods to placate the groaning Russian masses. Also, she must help support the tottering Red China economy. Under these conditions, it is difficult to see how the British can expect much to come of her present trade negotiations with Russia.

In the past, private interests and governments found that the Soviets did not hesitate to violate trade contracts if it suited them. This was not done crudely but, rather, took the form of shipping goods inferior to those contracted for, or serious delays in shipment, often as long as a year or more. This did not prevent the Soviet trade commissars from demanding full and prompt delivery of goods despite their own failure to deliver. In many cases, the cost to foreign exporters to the Soviets far outweighed any advantages that were expected to accrue. For example, new equipment needed by foreign manufacturers in order to supply the Soviet buyer had to be purchased and plant facilities extended. If the deal fell through or if payment could not be had on account of voidance of contract, the foreign exporter was often left holding the bag.

The Soviets, and their allies, are just as difficult in trade negotiations as they are around the diplomatic table. In fact, they do not differentiate between the two. They are now turning a bland countenance on the foreign seeker for trade and will offer any inducement.

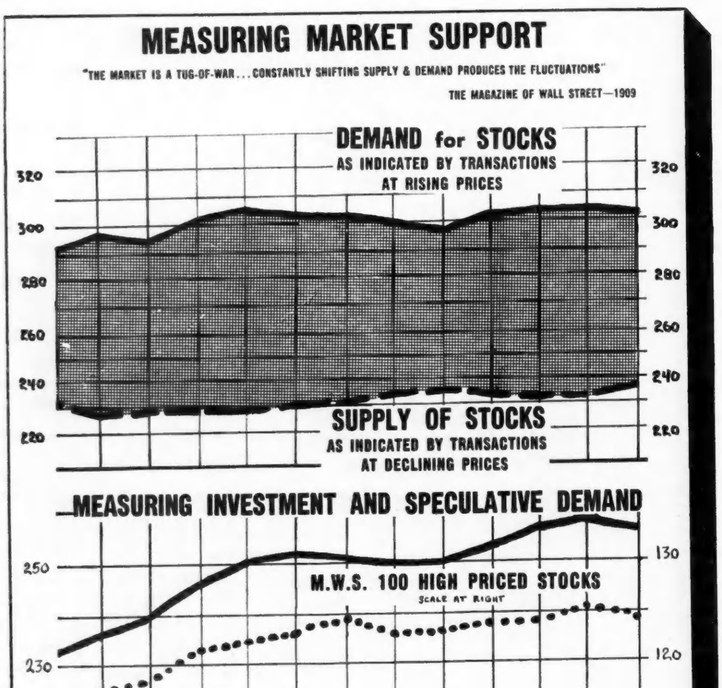
Dangling a carrot in front of a horse, but always out of reach, to get him to move is an old trick. British and other over-anxious would-be traders with the Soviets are more than likely to find they have been inveigled by the same sort of trickery.

Individual Trend vs. General Market

The market was under pressure most of last week, but made a sizable partial recovery in the final trading session. Whether or not it is deferred for a time, more correction may be needed, in view of tax and business uncertainties, as well as shrinkage in earnings. Our policy remains conservative and selective. You should hold ample reserves and concentrate on the better-grade stocks.

By A. T. MILLER

Up until March 22 the Dow industrial average had maintained an upward trend, subject to comparatively small and fairly brief interruptions, for a little over six months; and the utility list for about nine months. Upward tendencies in both had been extended with particular vigor during most of the first quarter of 1954, with investors cheered by the constructively conservative program, including tax revision, submitted to Congress by the President, by satisfactory over-all dividend prospects and by easing money rates. Business recession was largely ignored. Rails had lagged on a relative basis, but risen for five months to February 12, with a fairly sharp gain for six weeks or so prior to the latter date.



Perhaps there is nothing the matter with the market that a healthy shake-down will not correct; and it may be that this "cure" has begun, although the evidence is still tentative up to this writing. The market was soft most of last week; but there was a sizable rebound in the final trading session, mostly confined to the industrial list. It left the industrial average down 2.36 points on the week, and 2.52 points under the year's high to date. Rails were off 2.81 points, leaving the average about 4 points under its February rally top; while utilities were down fractionally. The net changes on the fortnight were small, aside from retreat by rails. The test is still indecisive; and it can only be said that the longer a rise runs, the less becomes the probability that it can continue with only minor interruptions.

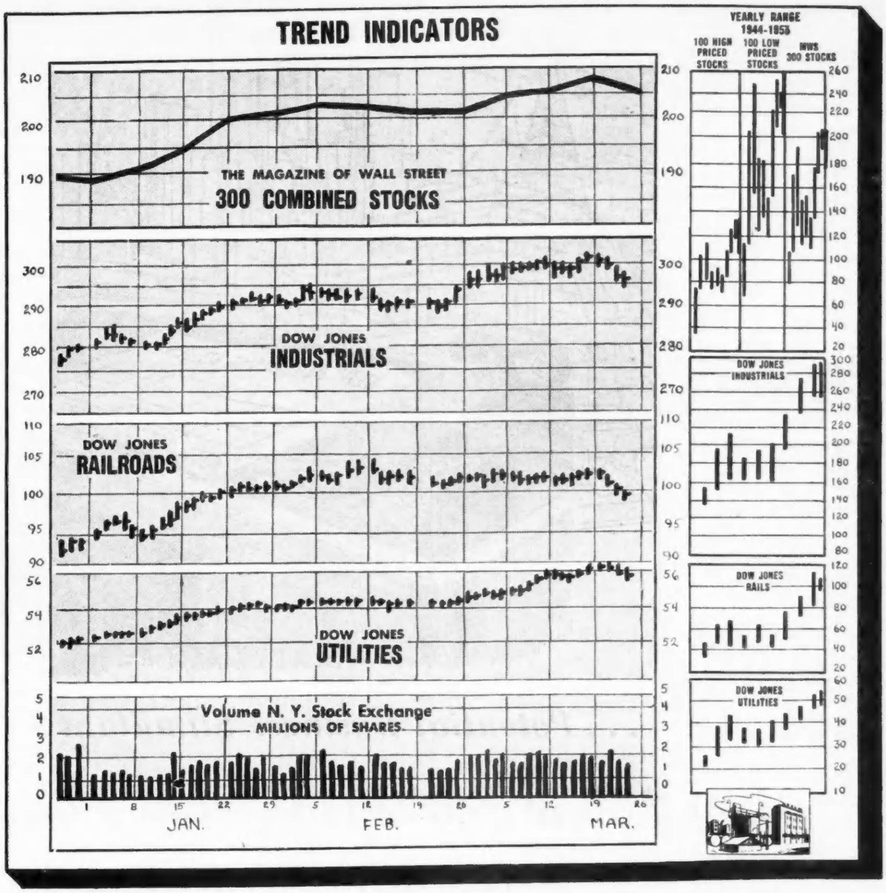
Rail Performance Poor

As far as it goes, the current rail pattern is bearish. After having held in a narrow trading range for about five weeks, following attainment of its February 12 recovery high, this average has now broken out of that range on the downward side by a definite, even if not wide, margin. Dividends of most better-grade rail stocks are likely to be maintained, since coverage is wide; but monthly earnings and freight traffic are making drab comparisons with year-ago figures. Total net income of Class I roads in January was down over 68% from a year earlier. Judging by partial data, the February results were also poor. The year-to-year comparison probably will become less adverse in the months ahead, since the greater part of the traffic shrinkage may have been seen and operating economies are being instituted.

However, 1954 rail earnings could conceivably be down by 40% or so to around $500 million, against about $875 million in 1953. They fell 37% in the mild recession year 1949, even though it was an expansion year for such key factors as housing, automobiles and Government spending, all of which are currently on the minus side. Total rail dividends last year were about $360

million. Adequately to widely covered dividends should support good rail stocks, but it is questionable whether that is enough to put them up. On the other hand, dividend cuts here and there could put some of the rail "weak sisters" down. A recent example was Pennsylvania Railroad, which voted 75 cents in March, 1953, but nothing in March this year.

Current rail earnings are worse than was generally expected not long ago; and are out in the open for all to see, since the reports are monthly and fairly prompt. Industrial earnings, aided by EPT lapse in a minority of cases, are unquestionably holding up better than those of rails, for which profit swings are wide because of leverage in capitalizations and other rigidities. But there could nevertheless have been too much investment complacency about industrial profits.



The "news" here is not yet out in the open. In recent weeks people have been looking mostly at annual earnings reported for 1953, and they made good reading in most cases. However, the annual reports tend to conceal substantial profit shrinkage in the fourth quarter of last year, in line with reduction in business volume and more competitive conditions, unless one digs out the facts by comparing full-year profits with those for the first nine months of 1953, Thus, a compilation of over 1,100 reports of manufacturing companies showed a year-to-year gain of 18% for the first nine months of 1953, but only 10% for the full year, meaning that fourth-quarter profits were materially under those of the fourth quarter of 1952. Industrial production in the fourth quarter of last year was down only about 2.3% (Reserve Board index) from a year earlier. For the first quarter of this year it apparently will be down from a year ago by something like 10%. Hence, in quite a few of the first-quarter reports, which will begin to come out toward the end of April, there could be disagreeable surprises for uninformed investors. Certainly the earnings "news" ahead will be a good deal less cheerful in many cases, where EPT lapse is not a decisive factor, than it has been heretofore. Whether the market is fully prepared for it, and can take it in stride, remains to be demonstrated.

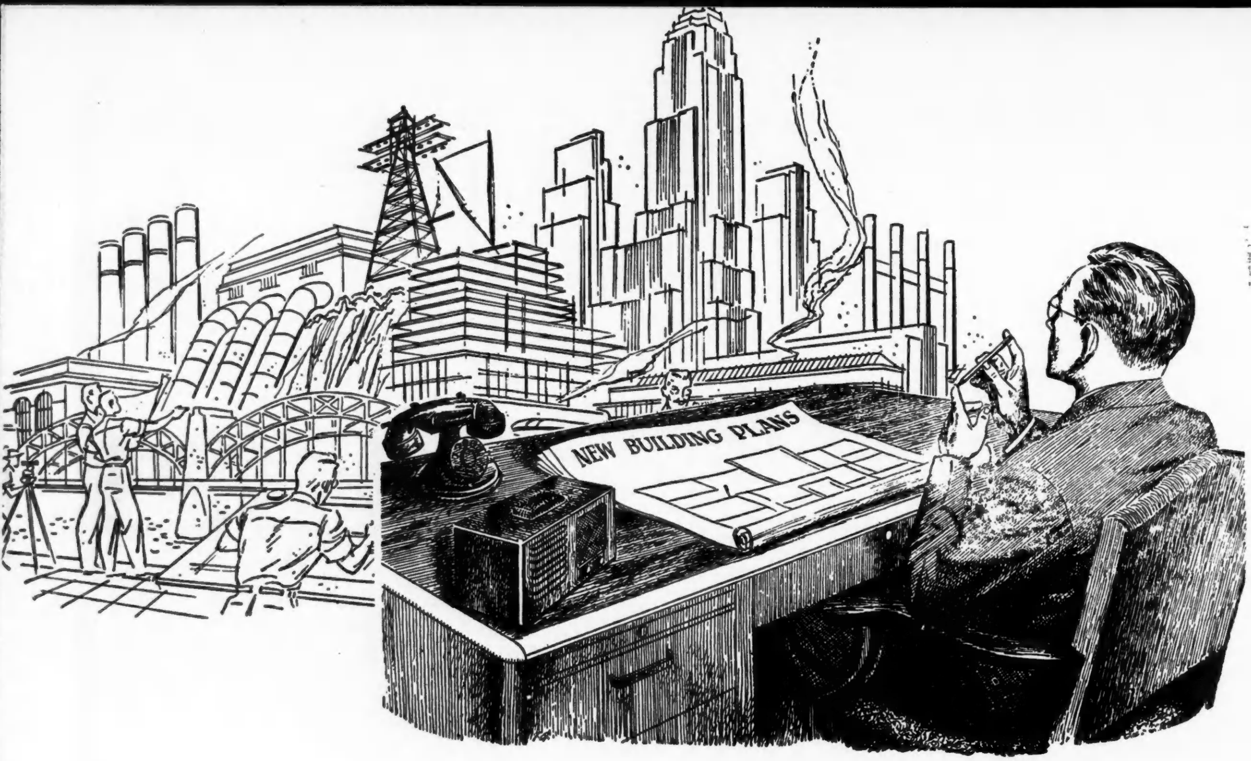
The Tax Uncertainty

The factors responsible for renewed market rise in the initial months of 1954, following lagging tendencies in most of December, undoubtedly included the lift to investment sentiment imparted by the general program put before Congress in the January series of Presidential messages, with Administration sponsorship of tax credits for dividend income especially important. Whether the latter provision of the tax bill, heretofore adopted by the House, will be approved by the closely divided Senate is uncertain. Even if it becomes law, there is a moot question as to how much value the market should put on it—since it could be repealed by any future Congress.

Bearing on that, recent sample polls have indicated that, if an election were held now, the Democrats would win control of the House by a good margin; and probably take the Senate also. We cannot say to what extent the indicated disaffection stems from business recession, or from the performance to date of the Senate Republican leadership.

The bulk of the Administration's sensible program has yet to be enacted. What the verdict of the voters will be, a little more than seven months hence, cannot be taken for granted. There is no positive evidence yet of any general turn for the better in business activity.

A conservative, selective investment policy remains justified. You should hold sizable reserves in order to take advantage of later opportunities; and put careful emphasis on the quality of individual stocks, as well as on special-situation profit potentials, in making portfolio adjustments.—Monday, March 29.



. . . Potential Business Stimulant In . . .

$100 Billion Backlog In State-Local Projects

How Will We Pay for Them?

By W. L. RADFORD

As federal government expenditures decline and private industry assumes a somewhat more conservative spending attitude as a result of the present business adjustment, more and more attention is being given to the part our state, municipal and other local governments can play in stimulating our economy. It is estimated that the actual backlog of necessary and deferred expenditures from such sources is $100 billion. Obviously a sum as huge as this can play an important role in our economy provided the means can be found with which to finance these undertakings.

Before we describe the various problems facing the state and municipal authorities, it would be valuable to see just what types of expenditures are required in order to service a growing population, accustomed to a high standard of living. Among these are roads, with a minimum of $30 billion; schools, at least $15 billion; hospitals, $5 billion; bridges and tunnels, $5 billion; public buildings, includng low-cost housing, $10 billion, and the rest divided up among miscellanies such as parks, local reclamation projects, health and recreation centers, improved equipment for police and fire department systems, and the rest for higher wages and pensions. Obviously, some of these projects are in the blue-print stage but others are well advanced and require only the necessary authorization and financing.

A paradoxical situation obtains in relation to the fiscal position of States and other local political divisions and such public works programs as might be undertaken as special measures to combat unemployment by private concerns. Most of the States are in a high degree of solvency and, as matters stand, are in a position to carry forward projects already authorized or to undertake new ones. In a word they are armed to move against recessionary forces provided an onset of recession does not move with sufficient rapidity to seriously impair the funds which have been built up and, more especially, the sources from which they were built.

The Federal Bureau of the Census has just completed a report on the 1953 experience of 25 States out of the 48, the list including such important States as Illinois, Michigan, New York, Ohio and Pennsylvania, obviously representative divisions so far as industry is concerned but also reflecting the situation in agricultural regions. It is shown that the income of these States from revenues and from borrowing amounted to $11,365,852,000 of which $10,520,-221,000 was revenue.

In the same period the same States showed expenditures and debt retirements amounting to $9,917,856,000. After so many consecutive years of reading of deficits and the steadily mounting debt of the Federal Government, these figures for repre-

sentative States tend strongly to bring a fresh breath.

The Census Bureau is able from advance data and experience to project these 25-State figures to the entire country and it makes the estimate that for all States the revenues for 1953 will show $18 billion against total expenditures of $17 billion. These revenues will be about $1.2 billion more than in the previous year.

Any industrial corporation or business establishment showing such a balance sheet would, obviously, enjoy a high credit rating, especially when it is considered that the States for a considerable period have been on a basis of high solvency. That is to say that a private concern with such a showing would be regarded as in an excellent position to embark upon, for example, a large program of new equipment and general betterments. Unfortunately, State and also municipal finances can not be conducted on the same principles of fiscal management as private business.

How Revenues are Distributed

In early years of the history of various of the several States some rather fantastic fiscal maneuvers were engaged in but that is in the past. More and more, what money shall be raised and how it shall be raised and what shall be done with it are matters decided by specific referenda. The States and subdivisions which are largely assisted by them do indeed furnish a tremendous market for employment, for materials and all else entailed in large public works programs but a substantial proportion of such work is provided for in advance and may not be greatly altered in volume or timing. However, what is of importance is that funds are set aside in advance for such planned work and this may proceed. It is not dependent as the budgets of some private concerns might be on immediate situations.

Of great importance in showing how these large revenues received by the States are distributed so as to bring assistance over wide area and large population is the statement that just under one third of all revenues go to the benefit of local governments—towns, counties and the like—in the form of grants or shared taxes.

There have been a number of developments calculated to suggest that State and local governments can fill any gap in employment and materials purchase resulting from a falling off in private enterprise. The fact that there is an estimated backlog of $100 billion in all manner of public works to be undertaken by State and local governments has received much attention. Unquestionably, many communities would like to undertake improvements aggregating so vast a sum. However, they are faced with the same problem that anyone filled with rich desires is faced.

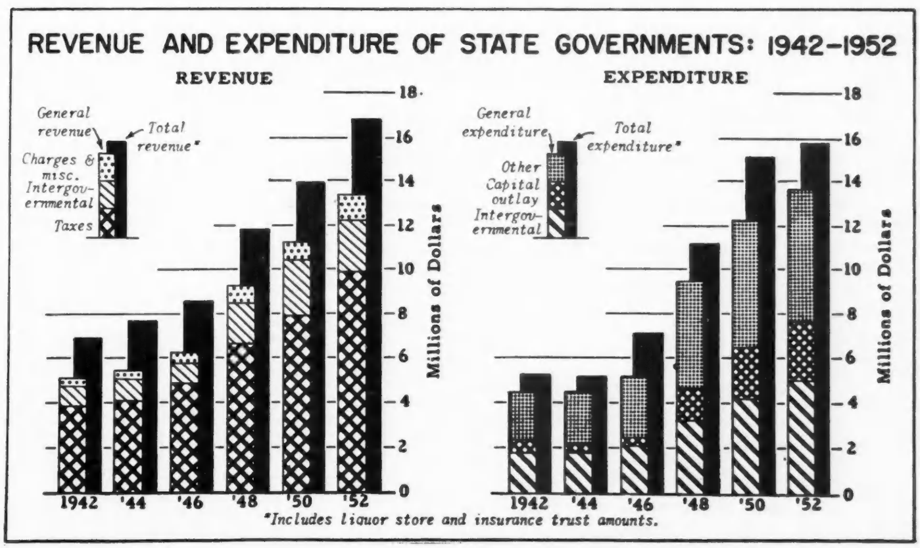
This may seem somewhat surprising to the merely superficial student but the fact is that the Federal Government can move much more rapidly in the collection, on the one hand, and the expenditure on the other, of large sums of money than can the States and local jurisdictions. A review of State and local finances indicates on anything like a Dun and Bradstreet criterion that the local political divisions are good for whatever they want to spend. But there is not available in the circumstances one or 48 or even four thousand credit managers who may decide. The advance of American political science has brought all these fiscal affairs, or nearly all, to the point where almost all the voters are the credit managers and have to be consulted by referenda.

Projects Must Be Spelled Out

In Federal affairs, a Presidential election or even a Congressional election can be and often is regarded as having constituted a mandate, an approval by some sort of super-national credit manager. The result of such an election can be quickly implemented by putting into effect a taxing and spending policy. Not so in State and municipal affairs. There must be a definite spelling out of what is to be done and when and what for and for how long.

The safeguards which have been thrown around State and local finances arose from previous abuses which resulted in the near-bankruptcy of not a few communities a quarter of a century ago. The results have been excellent and these finances do indeed furnish the best possible background security for large expenditures and, if need be, for large borrowings.

Examination of Census Bureau figures shows how the finances have been conducted on an increasingly sound basis. For example, in the period 1942-1947—the period of high expenditures on account of the War, total State revenues, including Federal aid, reached $35.4 billion compared with expenditures in the same period of $29.4 billion. There was high employment at wartime wages and the States reaped large sums in gasoline and many other sales taxes.



Debt retirement in the period exceeded new borrowing by $300,000,000.

Inevitably, as with private business, many local governmental projects were postponed because of the war and had to be caught up with. Deficits in maintenance and new projects were to some extent made up and in the period 1948-52 expenditures ran to $58.4 billion compared with revenues of only $56.8 billion. But only about a quarter of what might be called the profit of the high years was used up.

The fiscal affairs of the States and local divisions have a certain dependency on Federal finances or at least Federal fiscal policies. The Eisenhower Administration came into office partially on a platform which looked to a declining activity in what have been regarded as near-socialistic policies of the immediately preceding Administrations. There was a definite promise to return many powers to the States and that, inevitably, meant returning corresponding responsibilities.

At the moment, the Congress is busied with tax legislation having repercussions upon the States. It might very well be that some of the measures would be so favorable that local jurisdictions could feel justified in immediately entering upon vast public works undertakings. There has been the automatic reduction in individual income tax rates, effective the first of the year. State legislators well might feel that, inasmuch as the Federal taxing power has ceased to absorb these funds, the States should collect them. It is fairly certain that to some extent this will prove to be the case but here again we run into timing difficulties as contrasted with the Federal Government.

With the exception of a relatively few months in the year, the Congress is in almost continuous session. State Legislatures never are all in session at the same time and when they are, they sit for short periods. Some State consitutions provide that the Legislature shall sit only once every two years and there are some which provide that a session may not last more than sixty days.

So it must be obvious that the States are not in a position always to take immediate advantage of a state of affairs arising as a result of action by the Federal Congress; indeed and, perhaps more importantly, they are not in a constitutional position quickly to take action in some economic crisis. Nevertheless, they can move when required.

At this point, it would be desirable to mention some of the additional sources on which the states and municipalities can draw in order to fulfill their increasing obligations. Among these are new taxes, increases in tax-rates and modifications of tax bases. It may well be that some further increases in property taxes may be imposed though this is by no means popular. On the other hand, certain areas have had unduly low assessments and low taxes, and these may be adjusted to meet pressing financial problems. However, this would probably be done on a local rather than state scale. Non-property taxes are also likely to be raised, with payroll taxes increasing and sales taxes being adopted by an ever larger number of communities. Another source of revenue is the exploitation of "user" taxes and charges. This is a variation of the so-called toll system in use on the new super-highways. Additionally, there can be special assessments for such projects as sewage disposal, airport and transit facilities. It must be borne in mind, however, that the cost of such undertakings as schools, fire and police departments must be borne by the entire community.

While the larger municipalities have a substantial degree of autonomy, it must be borne in mind that the State is the source of power; every municipality owes its charter to the State and much of its powers are governed in the final analysis by State legislation. City debt limits may not be increased without consent.

Some astonishing anomalies exist as a result of the manner in which the American political system has grown. The United States Conference of Mayors has made studies showing that sixty per cent of the American people now live in cities. They pay ninety per cent of all internal taxes—Federal, State, municipal, county, school district, park district and the like. Yet these urban citizens are represented in the governing State Legislatures to the extent of only 25 per cent.

The Share of the Citizen in State Government Debt

State	Total Debt	Per Capita Debt	State	Total Debt	Per Capita Debt
Total	$7,040,308,000	$ 46.14			
Alabama	72,696,000	23.90	Nebraska	$ 826,000	$ .61
Arizona	3,231,000	4.01	Nevada	885,000	5.18
Arkansas	130,382,000	68.26	New Hampshire	26,277,000	49.21
California	522,304,000	47.38	New Jersey	339,793,000	68.31
Colorado	16,492,000	11.99	New Mexico	29,543,000	14.96
Connecticut	232,725,000	114.19	New York	1,012,754,000	67.40
Delaware	92,963,000	282.56	North Carolina	274,357,000	66.35
Florida	71,093,000	24.01	North Dakota	34,634,000	57.25
Georgia	20,699,000	5.94	Ohio	165,186,000	20.49
Idaho	1,646,000	2.79	Oklahoma	135,735,000	59.90
Illinois	382,154,000	43.33	Oregon	116,564,000	74.82
Indiana	18,183,000	4.51	Pennsylvania	895,055,000	84.77
Iowa	32,878,000	12.52	Rhode Island	51,837,000	65.37
Kansas	5,600,000	2.87	South Carolina	125,959,000	59.27
Kentucky	11,061,000	3.79	South Dakota	21,123,000	32.65
Louisiana	215,539,000	78.18	Tennessee	100,262,000	30.22
Maine	26,609,000	29.83	Texas	94,005,000	11.76
Maryland	205,458,000	84.17	Utah	1,424,000	2.01
Massachusetts	402,007,000	84.95	Vermont	4,999,000	13.40
Michigan	351,049,000	53.64	Virginia	37,519,000	11.08
Minnesota	120,525,000	40.26	Washington	235,865,000	97.26
Mississippi	74,351,000	33.92	West Virginia	245,551,000	123.08
Missouri	26,092,000	6.45	Wisconsin	5,027,000	1.45
Montana	44,934,000	76.29	Wyoming	4,457,000	15.11

Source: *Governmental Debt in 1952*, Bureau of the Census.

Political Factors

Cook County contains the City of Chicago but some downstate county with the merest fraction will also have a county's representation in the Legislature. What is

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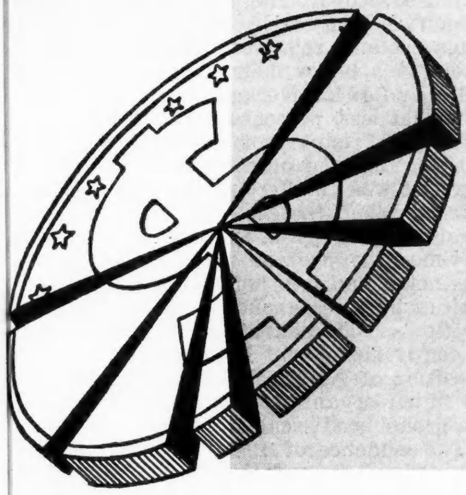


Is Inflation Frozen Into Our Economy?

By HOWARD NICHOLSON

(To the businessman and investor, the price level of goods from the producer of raw materials to the finished product is all-important as the entire question of profits is involved. The essential facts relating to this vital situation are presented in this significant article. Editor's Note)

In early 1954, the prices paid by American consumers for the goods and services consumed in daily living are, on average, about 50% higher than at the end of World War II; about 100% higher than in the years immediately prior to World War II; and almost 200% higher than in the years prior to the First World War. The U. S. wholesale price level seems just as exalted. Wholesale prices are now almost 125% above prewar levels, and about 150% above levels prevailing prior to World War I.

If these comparisons do not at first sound ominous, it is because they suggest a more or less normal and steady secular rise in the price level extending back into the last century. However, there are respectable grounds for thinking that no such normal secular trend exists, and that the current price level is in fact unsteadily balanced at the edge of a vast war-induced inflation.

Between 1915 and 1920, the years of the World War I inflation, wholesale prices increased about as much as they have increased between 1941 and 1954. Between 1920 and 1921, three quarters of that inflation was wiped out in a deflationary holocaust, and the remaining quarter was gradually eroded away in the painful downward spiral of the early 1930's. In the Civil War, an inflation equal to any seen since was largely liquidated in the late 1860's, and the remainder drained away in the severe depression of 1873-1879. The War of 1812, and the Revolutionary War, were accompanied by massive inflations, and followed by massive deflations. In each instance, the deflation was accompanied by serious disruption of business conditions.

Historical price charts stretching back into the eighteenth century in fact reveal price history to be singularly without a trend, but interrupted sporadically by violent price movements associated with major military efforts of nations.

Is Price Level Secure

Because of the presence of great postwar deflations in past history, business, ever since 1945, has viewed the postwar price level as highly suspect, and as a source of imminent danger to profits and operating rates. It has particularly taken this view since mid-1953, when a reversal of inventory policy was instituted along a broad front by businessmen. This reversal is itself evidence of suspicion of the price level; business was understandably not anxious to be caught in a deflation while holding $82 billion of inventory. (A 5% drop in the U. S. price level would result in an inventory loss to the total business system equal to between 15% and 20% of all after-tax corporate profits in the year 1953.)

Over the past nine months—since the inventory reversal began—business' fears about the price level have certainly not materialized. In the last half of 1953, while the industrial production index declined about 7%, neither retail nor wholesale prices have been at all affected. In the first quarter of 1954, while industrial activity has slipped another 5%, prices have again remained in highly stable condition. In March, in fact, raw material prices, which are generally thought of as forecasting changes in the general price level, actually showed more strength than weakness.

This stability of prices, in the face of a relatively rapid contraction of business activity, raises the

question whether, in the present inflation, supporting factors have worked their way into the price level that price history can no longer repeat itself. *Is a war-induced inflation, for the first time, built in?*

THREE SIDES OF INFLATION. The inflation of the past fifteen years has been a many-sided phenomenon. It was, first of all, a monetary phenomenon. It was executed through a tripling of the privately held money supply, reflecting a quadrupling of federal, state and local debt obligations of which only a relatively small part is held by individuals, and a relatively large part by the banking system. Monetization of debt, however, was equally an aspect of past inflations: during World War I, federal debt rose from about $1 billion to $25 billion, a rate of increase about three times as fast as occurred during World War II. In the Civil War, and in earlier wars, monetization of debt was accomplished by the simple and rapid expedient of resort to the printing press. In past inflations, the swelling of the money supply has not prevented subsequent deflation.

The current inflation has also been a demand phenomenon. Incomes generated in war production during the years 1940-1945 were stored in liquid asset form, and burst into the consumer markets at the end of the war. The result was continuing scarcity, and a rapid rise in consumer prices. But neither of these aspects of consumer markets was confined to the recent inflation. In World War I and the Civil War, the cost of living skyrocketed under the influence of real scarcity, then collapsed as scarcity disappeared.

Finally, the postwar inflation has been a cost phenomenon, and in this respect certain significant differences appear between this and all previous inflations. The price rise of the last fifteen years has occurred at a time when the character and institutional environment of business has been changing more rapidly, and more radically, than at any time in history. *In general, these changes have resulted in a fast, and possibly permanent, rise in a multitude of costs that may have been built into the American price level to stay.*

The two major of these institutionally determined costs are: the cost of labor; the cost of a vastly multiplied distribution process.

Prices from Producer to Consumer

The food market basket: Retail cost, farm value, marketing margin, and farmer's share of retail cost, 1946-53

Year	Retail Cost[1] Dollars	Farm Value[2] Dollars	Marketing Margin Dollars	Farmer's Share Percent
1946	767	397	370	52
1947	832	471	461	51
1948	994	498	496	50
1949	939	435	504	46
1947-49 average	955	468	487	49
1950	924	432	492	47
1951	1,026	495	531	48
1952	1,028	482	546	47
1953	1,002	452	550	45

1—Retail cost of average quantities of farm foods purchased per urban wage-earner and clerical worker family in 1952, calculated from retail price collected by the Bureau of Labor Statistics.

2—Payment to farmers for equivalent quantities of farm produce minus imputed value of byproducts obtained in processing.

LABOR COSTS. Between 1914 and 1919, average hourly earnings in manufacturing industries increased from 22 cents to 48 cents. From 1919 to 1929 they increased, slowly, another 8 cents. In the great depression of the early 'thirties, average hourly earnings declined relatively sharply, and by 1933 were about 10% below their 1919 level.

Between 1939 and 1945, average hourly earnings increased somewhat less, percentagewise, than they had in World War I, rising from 63 cents in 1939 to $1.02 in 1945. But one of the reasons for the relatively slow rise was an effective wartime system of wage controls. When these controls were abandoned, wage rates soared again, and by 1954 reached $1.80, three times the prewar level. In addition, fringe benefits not included in hourly earnings were costing American business about $4 billion a year.

Underlying this sensational rise in labor costs has been an apparently permanent improvement in the bargaining position of American labor, achieved in part through union organization and expressed in the form of a pronounced secular uptrend in money wage rates. The evidence of 1949, a year of mild recession and moderately declining prices, strongly suggests that the American wage rate no longer responds to downward pressures, as it did in every previous deflation. In the face of unemployment which at the trough of the 1949 recession amounted to almost 8% of the labor force, the wage rate stuck determinedly at the level reached in the 1948 boom. Inasmuch as labor costs represent about 70% of the value of consolidated net sales of the U.S. business system, the almost certain stability of wage rates in the foreseeable future argues strongly that a collapse of the price level such as occurred after previous inflations is no longer possible.

PROFITS AND PRICES. By itself, the change in the nature of American labor costs does not preclude a short-term decline in prices—even a sharp short-term decline. While it is true that over the long term selling prices must meet the cost of production (including a fair return on investment), business has reason to know that no economic law guarantees it against operating losses in the short term. Throughout the depression of the early 'thirties, in fact, the business system as a whole operated at a loss, and even in the late prewar years, a period of relative prosperity by all but postwar standards, more than half of the corporate operating statements filed with the Bureau of Internal Revenue showed losses.

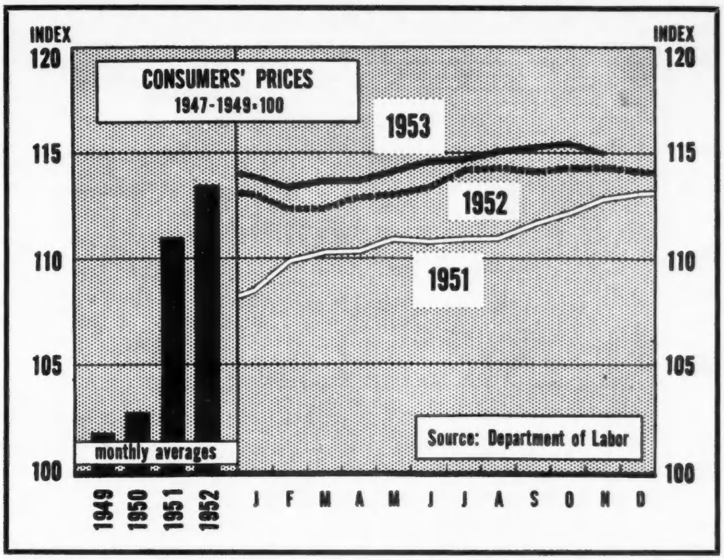
However, the price decline required to bring business operating statements out of the profits zone and into the loss zone is surprisingly small, and would hardly yield a change in the price level of finished goods at all comparable with past postwar deflations. In recent years, profits of manufacturing corporations, after taxes, have run in the neighborhood of 5% of sales. In the food industry, which plays a large role in the formation of the retail price level, manufacturing profits have equalled about three cents on the sales dollar.

DISTRIBUTION COSTS. A second and vital element which distinguishes the present inflated level of prices from all past inflations is the magnified role which distribution costs now play in setting the price level. At the end of the Civil War, the proportion of the labor force engaged in essentially distributive industries was about 10%, of which less than half were engaged in transportation services,

and somewhat more than half in trade. By 1910, the total proportion of distributive workers had risen to about 20%, and by 1930 to about 25%. Currently, approximately 18% of the labor force is employed in wholesale and retail trade alone. Over 5% is engaged in transportation, and another 6% in essentially distributive occupations other than transportation and trade.

With the exception of retail trade, annual labor earnings in distributive industries are relatively high. Earnings of employees in wholesale trade average about 15% higher than employees in manufacturing. Employees in transportation earn about 10% more than manufacturing workers. In 1953, approximately 7% of all wage and salary payments, and about 7% of all fringe supplements to labor income, arose in the transportation industries. Wholesale trade accounted for another 5%, and retail trade for another 10%. Thus, between one fifth and one fourth of the nation's wage and salary bill now originates in distributive industries. This proportion has not changed strikingly over the past two decades; what is significant is that the burst of manufacturing activity that has accompanied the rise of American industry from its depression trough of the early 'thirties through recovery, wartime expansion and postwar inflation, has been paralled by an equal burst of distributive activity.

In connection with this expansion of distributive industries, it is noteworthy that costs in these industries are virtually entirely labor costs. In transportation, for example, wage and salary payments, including supplements, amount to approximately 80% of the industry's compiled receipts. In contrast, manufacturing wages amount to about one-fifth of the (unconsolidated) value of manufacturing sales. The transportation industry is thus isolated from the spiraling decline in costs and selling prices that makes a sharp decline in manufacturers' prices possible.



Effect on Transportation

Moreover, because wages are so large a part of the transportation industry's costs, the rising trend of wage rates in the past several decades has imposed a sharp uptrend in transportation rates of all common carriers. Despite the near financial collapse of the railroad system during the 'thirties, when one third of rail trackage in the U.S. was in receivership, freight revenues per ton mile showed virtually no decline. In the 'forties and 'fifties, revenue per ton mile has continued to increase, as a result of rate increases, even though inroads by highway carriers have progressively skimmed the high-revenue cream out of rail freight traffic. In the absence of anything short of a violent depression, no reduction of rail transportation costs and unit revenues can be expected.

For much the same reason, distribution costs incurred in wholesale and retail trade can hardly be expected to fall. As a share of the sales dollar, profit margins in distribution are extremely small, and unit costs, representing almost entirely wages, are more likely to increase than to decline.

The Price Structure in Food

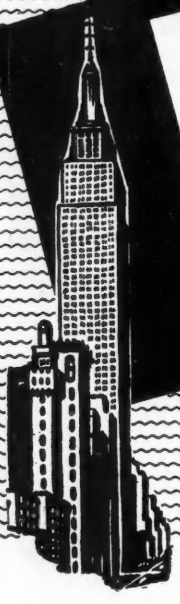
The effects of the revolution in labor and distributive costs are nowhere more clearly seen than in the price structure of the American food industry. As a result of increased transportation, processing and handling costs, the farm produce which enters into food consumption now accounts for less than half of the consumer's food dollar. Since 1946, the farm value of crops entering into food consumption has increased about 2%: at the same time, the "marketing margin"—processing, packing, transportation and handling charges—has increased 18%. The total costs to consumers of a market basket of farm foods priced by the Department of Agriculture has risen from \$767 to \$1005. Of this increase of \$238, only \$57 has gone to the farmer, and \$185 to marketing and transporting agencies. The farmer's share of the total has fallen from 52% to 45%.

The effect of this rising marketing share of the total has been to make retail food prices relatively insensitive to changes in farm prices. Marketing costs tend to remain unchanged in the short run, and hence a decline at the farm level becomes a much smaller percentage decline at the retail level. Much the same mechanism is now operating in the markets for virtually all finished goods. The distributive margin has swollen, and tends to remain inflexibly high because it consists of inflexible labor costs. Whether this combination will forestall the forces which have in the past made for violent postwar deflations remains to be seen, but it is at least true that in no past deflation have these sustaining elements been present.

Conclusion

We have seen that the built-in elements of high fixed costs, particularly monetary changes, high labor and transportation, have a decisive influence in maintaining a rigidly high price level. This has an important significance from the standpoint of business as it is probably impossible, on the whole, to attract mass volume buying through lowering prices without cutting too deeply into the margin of profits.

Where Dividends Can Be Maintained —Despite Lower Earnings



By GEORGE W. MATHIS

Because of the reversal in the business trend since last autumn and the growing impression among investors that profits may be lower this year, the general dividend outlook requires reappraisal at this time. While first quarter 1954 corporate earnings will not be available for a few weeks, important major economic trends in the first two months of the year already indicate that March quarter industrial and railroad earnings will be below those of the preceding quarter and the corresponding period of last year, a quarter in which, incidentally, peak profits for the year were reached.

Unless the current down trend in industrial operations and business, generally, is reversed in the comparatively near future, it is likely that the second quarter may also show a decline. In that case, earnings for the first half of the year would be well below the corresponding period last year and investors, in that case, would have to take into account the automatic reduction in the margin of earnings over dividends.

The question then arises as to whether, as a result of lower earnings, there would be a reversal in the favorable trend of dividend payments since 1948. In that year, total dividends, according to the Security & Exchange Commission were $6.1 billion; in 1949, $6.4 billion; in 1950, $7.9 billion; in 1951, $8.1 billion; in 1952, $8.3 billion, and in 1953, $8.5 billion.

Dividends Not Affected by 1948-9 Earnings Drop

What is particularly interesting about the above figures is that the business slump from approximately the end of 1948 to mid-1950, had no appreciable effect on dividends, as a whole. In fact, total payments increased. This is important because it indicates that a general downturn in profits need not have a disturbing effect on the general dividend trend. Individual companies, of course, depending on circumstances, may be affected and, in fact, a number of them were so affected during that period. These, however, were mainly in the marginal and secondary groups, but dividend payments of the stronger companies remained undisturbed, or were even increased, despite lower earnings.

Maintenance of dividends during this period was facilitated by very large cash reserves built up during the the war period and in the post-war boom. At the same time, while general business fell off by about 20%, earnings were not proportionately affected, on the whole, so that corporations were aided by the double prop of good cash position and still adequate earnings though the latter suffered a moderate decline in the half year between October of 1949 and April of 1950. In that period, earnings dropped about 10% as compared with the same period the previous year. A 1954 decline of 10% in profits, therefore, if we are to be guided by the experience of 1949-1950, would hardly be sufficient to cause directors to lower dividend payments below 1953 rates.

We do not know, of course, whether the prospective drop in profits will be held to 10%, and we certainly have no inkling as to what the last half of the year holds in store. Outside of the actual extent of the coming decline in corporate profits, however, we do possess information on other factors which may have an equally important bearing on dividend payments during the coming year.

Importance of Liquid Assets

The first of these is the liquid assets position of corporations. At the end of 1953, for manufacturing concerns alone, this stood at $29 billion (including sums due from the government) and compared with $18 billion at the end of 1948. The increase of $11 billion in liquid assets—cash, government and marketable securities—during this period is an important factor in the capacity of corporations to maintain dividends, barring a prolonged and severe decline in earnings.

The same impression of formidable financial strength is offered by working capital figures for the

sum total of reporting corporations in all industries. At the end of 1953, this was estimated at well over $80 billion, compared with about $63 billion at the end of 1948. Just as a comparison, it is interesting to note that total working capital is now equivalent to about ten times total dividends paid in 1953. This figure, of course, includes inventories, receivables and other items of the sort.

Returning to manufacturing corporations, it is to be noted that liquid holdings of about $29 billion are approximately five times the amount disbursed in dividends in 1953 by companies reporting to the S.E.C. It is obvious that this tremendous cash backlog is a determining factor in the outlook for dividend payments.

During the next two years and longer, many corporations will benefit from the increased cash flow arising from accelerated amortization allowances. About $29 billion in accelerated depreciation certificates is outstanding. With credits of 60% over a five-year period, chargeoffs for depreciation are likely to reach an annual total of nearly $3 billion. This means that the corporations benefited will have the use of these additional funds during the life of the amortization certificates.

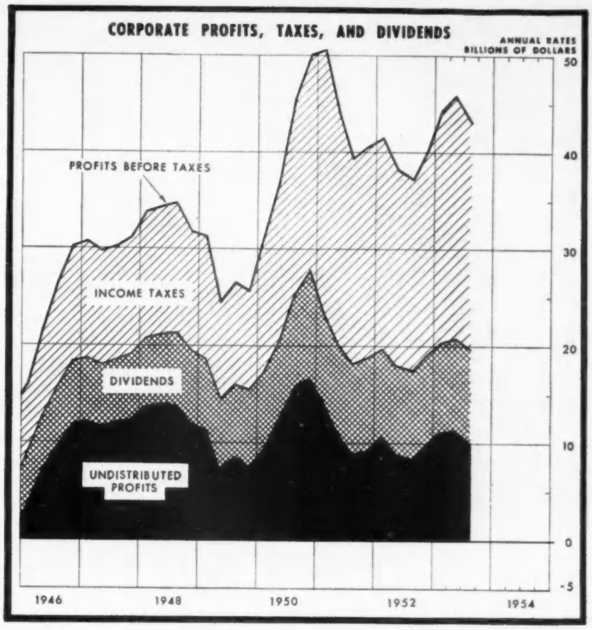
Furthermore, under proposed legislation now before Congress, there is a possibility that existing depreciation charges may be liberalized which would provide an additional source of cash outside of the new cash flow from accelerated amortization.

The above, of course, is offered as a generalization on the overall situation. It does not necessarily cover each company. Individual companies may not be materially benefited from the above depreciation credits, or benefited at all. All this, however, can be determined with a fair degree of accuracy by examining the balance sheets.

With the anticipated decline in new capital expenditures, which the Department of Commerce estimates at 4% for the year, corporations cutting down on new projects will have larger sums available for dividends. In recent years, pressing capital requirements have held dividends down to conservative levels in many instances.

Financing Methods and Dividends

A second important factor involving the dividend outlook is the fact that directors are commencing to seriously consider financng through issue of common stock. For years, most financing has been through bonds. In 1953, for example, less than $2 billion was financed through equities compared with nearly $9 billion in bonds. The ratio of funded debt to capitalization of American corporations is already at a very high point, the highest in history and it is obvious that sooner or later the trend must be reversed.



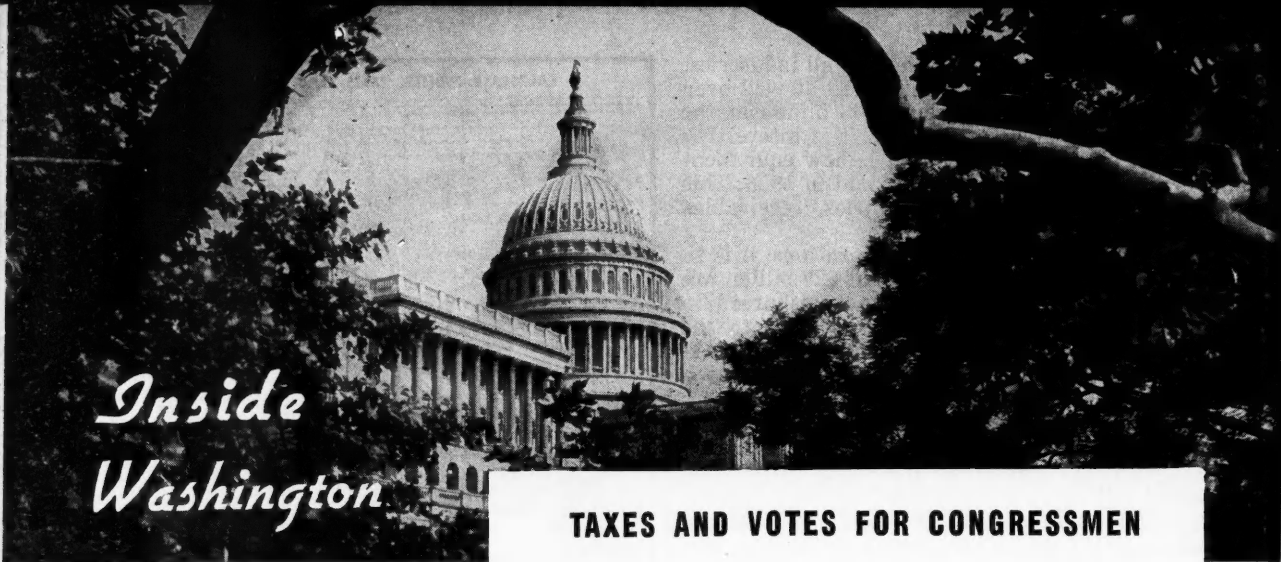
The principal deterrent to stock financing in recent years has been the extraordinarily high level of taxes, both corporate and personal. We have, however, apparently entered a period of lower taxes, as witness the lapse of EPT and the cut of 10% in personal taxes. Though the pending tax bill has not yet been passed, it seems certain that further cuts will be legislated. All this offers an improved background for further tax cuts in coming year.

Corporation directors undoubtedly will eventually desire to take advantage of this change in basic conditions affecting financing through stock issues. But in order to promote the (*Please turn to page* 44)

Earnings—Dividends—Cash Position—10 Leading Companies

	Period of Recession 1948-49: Earnings Per Share 1948	Earnings Per Share 1949	1948 Liquid Assets Per Share	Dividend Per Share 1948	Dividend Per Share 1949	Percent Dividend Pay-out in 1949	Period of Readjustment 1953- ?: Earnings Per Share 1952	Earnings Per Share 1953	1953 Liquid Assets Per Share	Dividends Per Share 1952	Dividends Per Share 1953	Times Dividend Covered*
Bethlehem Steel	$ 9.36	$ 9.68	$19.79	$ 2.40	$ 2.40	24.8%	$ 8.80	$13.30	$53.26	$ 4.00	$ 4.00	2.4
Borden Co.	4.46	5.10	12.25	2.55	2.70	52.9	4.11	4.71	12.29	2.80	2.80	1.3
Douglas Aircraft	4.85†	4.58	29.53	2.50	4.62	100.0	8.99	15.46	46.41	3.75	6.50	1.7
General Motors	4.86†	7.32	10.05	2.25	4.00	54.6	6.26	6.69	4.20	4.00	4.00	1.2
Goodrich (B. F.)	5.51†	4.78	6.05	1.83	1.83	38.2	7.60	8.16	22.19	2.65	2.75	2.2
International Harvester	3.92	4.36	5.92	1.70	1.70	39.0	3.76	3.46	10.17	2.00	2.00	1.3
Texas Company	6.01†	4.81	7.06	1.50	1.87	38.8	6.59	7.01	8.76	3.00	3.40	1.5
Union Carbide & Carbon	3.55	3.20	5.47	1.66	2.00	62.4	3.41	3.55	4.84	2.50	2.50	1.1
West Virginia Pulp & Paper	2.83[1]	2.32	3.00	1.00	.75	32.2	2.47	2.83	9.30	1.00	1.00	2.1
Westinghouse Electric	3.88	4.95	6.83	1.25	1.40	28.2	4.23	4.53	13.78	2.00	2.00	1.7

*—Dividend coverage if 1954 earnings are 25% under 1953.
†—Adjusted to present capitalization.
[1]—Adjusted for 4-for-1 split; but does not include acquisition of Hinde & Dauch.



TAXES AND VOTES FOR CONGRESSMEN

By "VERITAS"

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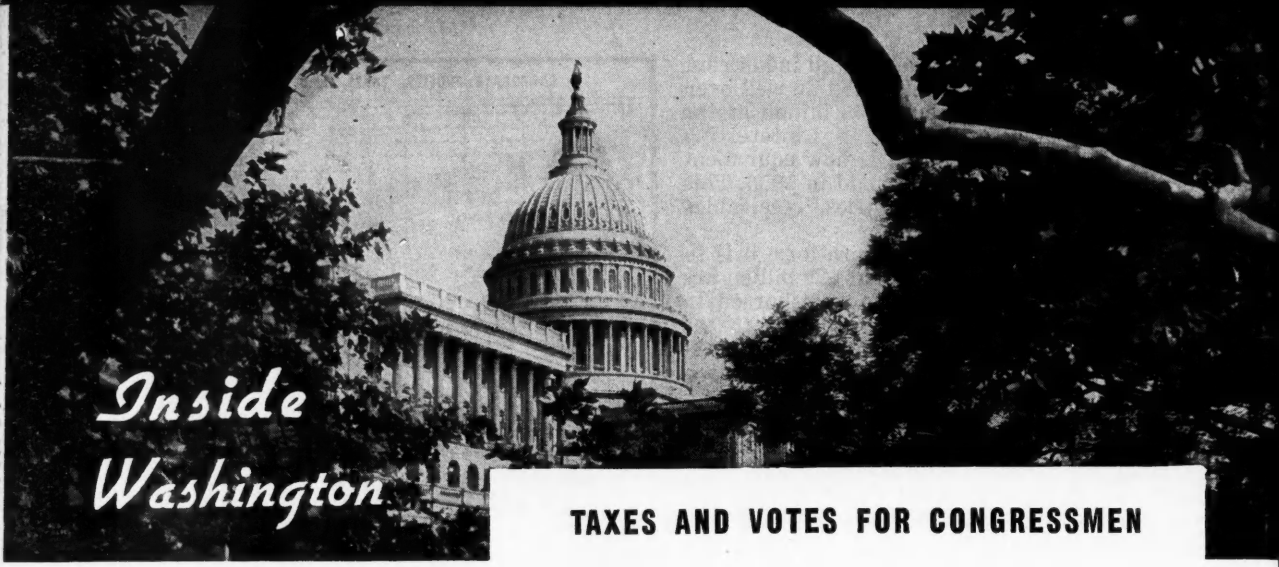

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Republican strategy in congress from this point out will be to sidetrack the discussions which do not hold the promise of early final action, and fix eyes on the calendar for an early adjournment date. There has been noticeable speed in committees.. The best example is the manner in which excise tax cuts were sped through the house. The Administration didn't put up a real fight in the ways and means committee, officially made no contest when the measure reached the floor. The senate already had been marked down for token resistance on the part of the Treasury -- "going it alone" so as not to involve the White House in anything that might bring on retaliation. All committees have republican chairmen and majorities; they pipe the tunes, call the turns.

No political party is immune from internal troubles. Just as the democrats were rejoicing over the goings-on in the camp of their opposition, Adlai Stevenson came to speak the wisdom of the democrats and proceeded to throw the beam out of focus. The demmies were doing very well -- at least they thought so -- in the effort to sell the idea that they were under-dog in a campaign of insult in which everything including the capital offense of treason had been charged against their party members, not their party leaders only. Stevenson's reply in kind made his followers parties to the crime of slander, if one exists; in any event it watered down a campaign strategem.

In national headquarters and on Capitol Hill the democrats had been beaming confidence that current practices in the GOP would cause the party's own downfall, come the November election. That was better, they reasoned, than to set up a rallying post to bring republican unity, as the Tom Dewey speeches had united the democrats when the threads were showing signs of breaking. Adlai succeeded in giving the republicans a large TV and radio audience - nationwide political rally at no cost. It gave the White House the opportunity to re-assert its domination of the government by selecting Vice President Nixon to make the rebuttal; it presented the opening, promptly availed of, for the GOP National Committee to show it fears no individual, recognizes no party leader but Ike.

Agriculture Secretary Ezra T. Benson still cannot see how placing American butter on Russian tables could affect the power of the Free World to defend itself against aggression. Especially when it will have the effect of improving the economy of the United States, won't give the Soviet any price concession, and might have some slight diplomatic advantages. Benson should know something about foods, whether a Red with butter on his bread or cooked in his food is more belligerent or anti-capitalistic than one who eats margarine. The Secretary doesn't think so, and as a Mormon missionary he probably has an additional inherent, deeper-rooted urge.

The senate fight against treaties which may have the effect of imposing laws upon the states without their own consent, may have had influence on the Mexican ("wetback") law as it went to the White House for assured Presidential approval. But it could be pointed out that the basic purpose of the Bricker Amendment already was written into the Act before congress was faced with the necessity of ruling on the Ohioan's proposal; that national policy controls anyway in such situations. The Mexican farm labor import program will be continued without an international agreement between this country and the neighbor to the south.

The legislation will permit resumption of recruiting at border points, of Mexicans who enter the United States under the immigration regulations for employment on U.S. farms. The agreement between this country and Mexico on recruiting Mexican farm workers expired Jan. 15. The Comptroller General later ruled that the Labor Department could not use funds for the program because of expiration of the agreement. Negotiations for renewal of a new agreement bogged down because Mexico proposed inclusion of wage fixing and labor representation provisions which are contrary to laws of this country. The suggestion that some international agreements in the past had the capacity to impose foreign-made laws upon citizens of the United States ran through the arguments made by proponents of the Bricker Amendment.

★ ★ ★

Latin America *wants to get in on* U.S. Give-Away Program

By V. L. HOROTH

It seems sometimes that the citizens of the United States are destined to work hard and refrain from spending dollars on themselves in order to share them with countries that have failed to put their houses in order or those that possess vast natural resources and have done little to develop them. The latest claimants for special "dollar" consideration are some of the countries in Latin America. Having witnessed the Hand-out by the United States of some $50 billion to foreign lands since the end of World War II, they too want to get on the "gravy train".

They have found themselves in economic difficulties and, fearing that business recession in the United States and the return to a more normal situation in world markets will make things even worse, they are asking us to underwrite, so to speak, their present earning capacity. Their chief argument is that if we let things get worse, economic difficulties will "create turbulent waters for communist fishing expeditions".

The sounding board for Latin America's demand for economic aid is the 10th Inter-American Conference held in Caracas, Venezuela last month. The demands boil down roughly to this: (one) Latin America wants the United States to agree to a long-range plan for the stabilization of raw material prices. This plan would work something like the Wallace's ill-fated "ever normal granary plan" and would be tied to the U. S. stockpiling program; (two) Latin America wants the United States to supply her with more "risk" capital to speed the development of her natural resources to keep pace with the rapidly expanding population.

The first demand is based on the claim that Latin Americans—much as our own farmers claim of their situation—are not receiving fair prices for their products, coffee and cocoa excepted. They point out that, owing to the drop in prices of nonferrous metals, textile fibers and other products, their purchasing power is declining, at the time when the prices of manufactures, their main imports, are going up. The basis of the second demand is that the reconstruction of Europe has deprived Latin America of investment capital and investment goods and that the International Institutions, the International Fund in particular, have failed to stand by when Latin America has needed help. What apparently has added to the irritation of Latin Americans is the decision of the U. S. Treasury to go easy on Export-Import Bank lending.

The various plans are now to be drafted and studied with the aid of the Inter-American Economic and Social Council. They are then to be discussed at a meeting of the American Finance and Economic Ministers, to be held sometime this summer, probably in Rio de Janeiro. *A rather incongruous note in all this is that the leader in this campaign "for the United States doing something for Latin America" is Argentina. Yet until quite recently Argentina never missed the opportunity to denounce the United States as the "economic exploiter of Latin America."* The brainchild of President Peron, the Latin American Economic Union, signed so far by Argentina, Paraguay, Chile, Bolivia, and Ecuador, was intended to "emancipate" Latin America from "economic subservience" to the United States.

Getting Better Prices But Exporting Less

Is it true that Latin American countries are so badly off in respect to the prices they receive for their exports and the prices they pay for their imports? The answer is: "absolutely no." They are much better off than they were before the war, as will be seen from data prepared by our own Department of Commerce and shown in the accompanying table. As a matter of fact, they have been so well off throughout the whole postwar period that, *smaller exports at higher prices have enabled them to pay for an increased volume of exports.* A classic example is Brazil, where in 1952 a volume of exports about 60 per cent that of prewar, paid for imports nearly twice as high in volume as in 1938-39.

The real cause of the troubles for which the United States is being blamed now is that Latin American countries failed to put their houses in order when it was the time for it, first right after the war and again during the recession in 1948-49. As it was, the rise of raw material and foodstuff prices bailed them out first in 1946, when we took off our price controls, and again after the outbreak of the Korean war. Now that many Latin American countries are facing stiffer competition in world markets and that the inevitability of lowering costs and checking internal inflation is at hand, they are crying "uncle," describing themselves as "disaster areas" in need of a Marshall Plan for the Western Hemisphere.

A typical case is Chile, which is on the brink of serious economic troubles, with prices rising annually from 20 to 30 per cent. The Korean war bailed out Chile temporarily by advancing the price of its chief export product, copper, from about 24 cents to anywhere between 30 and 50 cents a pound. Instead of saving the extra earnings and reinvesting them in the country's economy, everybody went on a spending spree. The workers asked for an increased share of the national pie, and the Government's budget expenditures nearly doubled in the last three years. Production costs went up. Now, with copper plentiful, nobody wants the high-cost Chilean product, and the country is losing out to Northern Rhodesia and the Belgian Congo which have been able to adjust their costs to the prevailing price.

Much the same situation exists in Brazil in cotton, in Bolivia in tin, in Uruguay in wool, and in Argentina in meat. Their prices and costs are too high, and the countres do not dare to lower these costs for fear of a political blowup that would lead to the collapse of existing governments. Even in Venezuela, the recent drop in petroleum production was basically due to the fact that rigid Venezuelan production costs prevent competition with cheap Near Eastern petroleum.

The coffee countries have, of course, nothing to worry about for some time. Even before the recent rise of coffee prices, they were more prosperous than ever before, and in the midst of a building boom that in Colombia, Nicaragua, Honduras and El Salvador is transforming and modernizing cities as well as the countryside. Guatemala and Costa Rica would certainly have enjoyed as great prosperity if their pro-leftist policies were not discouraging to domestic and foreign capital.

Among non-coffee countries, Venezuela continues to be prosperous, with the per capita income near the $500 level, higher than in many Western European countries. Nor does Peru need any Marshall Aid. She too is in the midst of a private building boom that, in combination with very ambitious government highway and public utility programs has brought on over-importing and what seems a temporary weakness of the soil. Mexico, too, is prosperous and expanding, even though her dollar earning capacity like that of Peru, needs to be expanded.

Decline in Export Capacity

The real need in Latin America is not for any disaster aid or Marshall Plan, but (one) for cost cutting, (two) for expansion of export capacity, and (three) for increased food production. Latin America's population—we have an example of it in Puerto Rico—is increasing faster than in any other part of the world, at the rate of about 3½ million a year. In addition, the per capita consumption of food has also been increasing. Unless food production is expanded, especially in countries like Brazil, Chile, and Mexico, there will be a constant danger of runaway inflation.

The core of the problem is how to increase export capacity. In many Latin American countries, where exports depend upon foodstuffs (meat in Argentina), or textile fibers (cotton in Brazil), the export capacity is reduced because of growing internal consumption. But the foreign exchange earning capacity was also recklessly reduced by industrialization. Attracted by relatively higher wages in government-protected industries, farm workers and miners flocked into the cities. In Brazil, for example, rural areas in general are short of labor except in the northeast, and one of several reasons for the present high prices of coffee is inadequate care of coffee orchards.

Everything would have been all right if, through the increased use of mechanical equipment, the productivity of those who remained on farms or in mines had increased. But nothing of that sort has happened. Productivity remains as low as before, because the Latin Americans insist on pursuing old fashioned methods of cultivation. In some cases,

Prices Paid by Latin America for Her Imports and Prices Received for Her Exports

	Prices Paid for Imports	Prices Received for Exports
	(1936-38 – 100)	
1950		
Q 1	177	274
2	173	281
3	177	314
4	187	336
1951		
Q 1	196	355
2	204	382
3	203	372
4	201	360
1952		
Q 1	202	358
2	203	356
3	203	352
4	202	345

Based on the Dept. of Commerce data.

Selected Comparative Statistics for the American Republics

	Nat. Income Per Capita 1952 U.S. $	Population 1952 (000,000)	Motor Vehicles 1952 (000)	Tractors 1950 (000)	Corporate Taxes as % of Net Earnings	1953 Foreign Trade (000,000 $) Exports to U.S.	Imports from U.S.	Gold & Dollar Holdings (000,000 $) Dec. 1952	Dec. 1953
DOLLAR COUNTRIES:									
Venezuela	424a	5.3	154	7.7	27.0	441	511	532	608
Cuba	360b	5.5	150	8.0	26.4	431	426	515	527
Panama	342	.9	15	.4	6.7	17	83	81	90
Colombia	251b	11.8	83	6.5	56.4	466	284	193	236
Dominican Republic	189	2.2	10	.6	......	52	47	56	51
Guatemala	186	2.9	17	.9	3.5	63	44	62	65
Mexico	183a	26.9	370	32.0	37.7	356	643	376	325e
El Salvador	176c	2.0	11	.5	......	65	37	55	56
Nicaragua	140b	1.1	5	.4	......	75	26	16	16e
Honduras	131b	1.5	4	.3	......	30	35	62	66
Costa Rica	125c	.9	9	.6	......	35	38	14	14e
Bolivia	100b	3.1	14	.7	15.8	63	18	47	41
Ecuador	81c	3.4	16	.9	13.8	45	42	46	46e
Haiti	40c	3.1	7	.1	......	17	29	......	......
Totals	......	70.6	865	59.6	......	2,105	2,255	2,055	2,141
"NON-DOLLAR" COUNTRIES:									
Argentina	288a	18.1	367	25.0	......	182	104	407e	530e
Chile	263	5.9	83	6.0	45.3	242	98	121	120
Uruguay	253c	2.3	86	10.5	20.2	53	24	301	335
Brazil	220b	54.5	564	15.7	17.9	769	294	390	419
Peru	109a	9.0	72	2.4	24.1	87	119	107	104
Paraguay	73	1.5	5	.1	20.2	5	18	5	5
Totals	......	91.3	1,177	59.7	......	1,338	657	1,331	1,513
Total Latin America	213	161.9	2,042	119.3	......	3,443	2,912	3,386	3,654
United States	1,850	160.0	54,745	3,786.0	......	......	......	......	......

a—1951. b—1950 c—1949 e—Estimate.

where mines or land were nationalized, productivity is even lower than before the Second World War. Until quite recently, the mines and the farms were the last ones to be alloted foreign exchange to pay for imported equipment. First industrial equipment imports were favored, and now fuel and raw materials get preference to keep the new factories busy and the new industrial working class reasonably happy.

A Better Balanced Economy Needed

The reaction in Latin America to the drop in prices during and following the great depression was to strive for self-sufficiency. This included industrialization, nationalization of public utilities and of certain basic national resources, and economic nationalism in general. But in pursuing this ideal, most Latin American countries went too far. Their economies are unbalanced. They have discovered that industrialization does not mean self-sufficiency; instead of importing relatively better-made and cheaper manufactures from abroad, they now spend their foreign exchange earnings for fuel, raw materials, and often food.

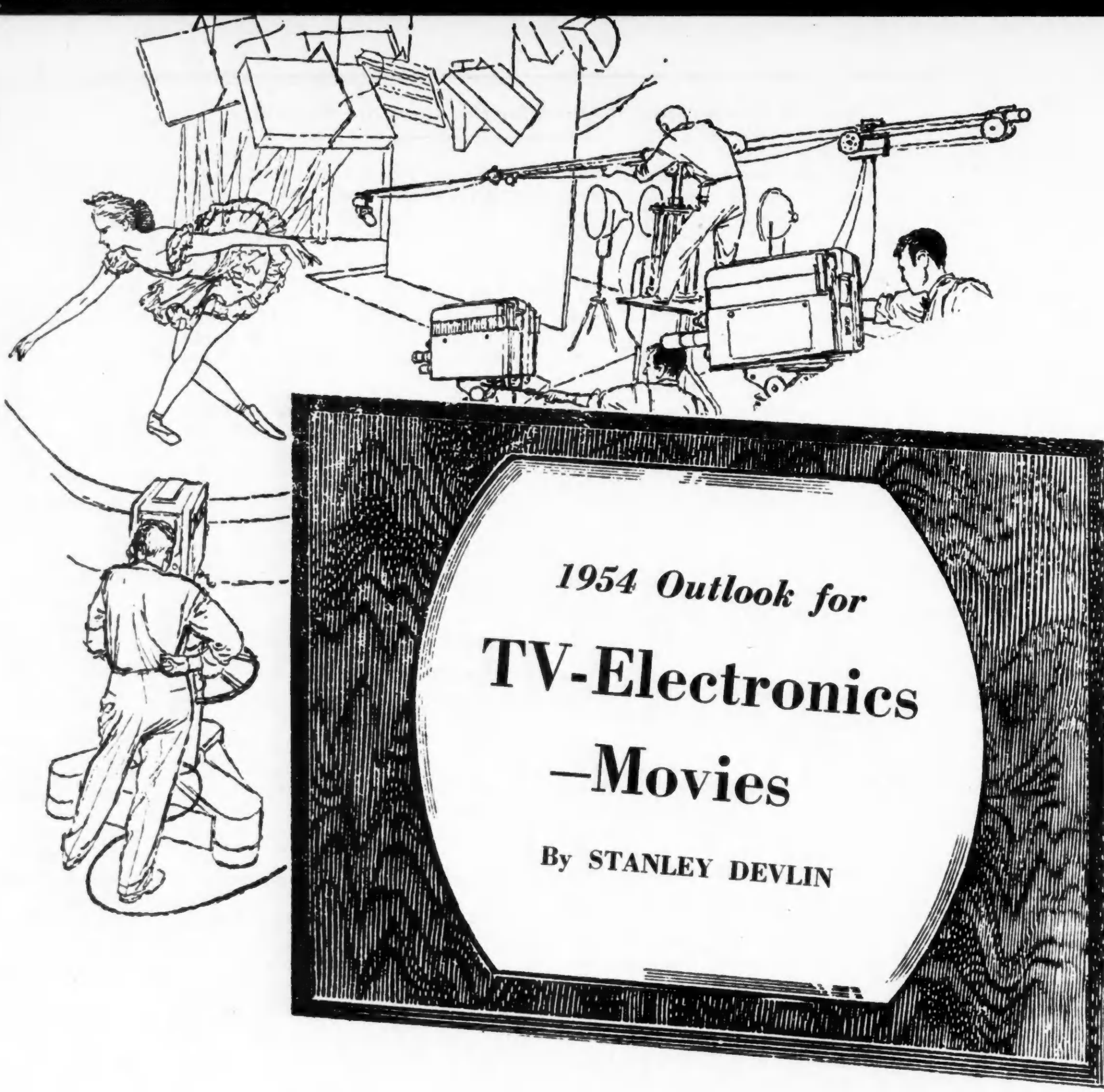
What is primarily needed in some Latin American countries is the restoration of a better balance in their economies. In this respect the situation is perhaps worst in Argentina, Brazil, and Chile, the countries most vociferous in demanding aid. Mexico has long recognized that a balanced economy is essential, and President Aleman and his able successor, President Cortinez, have spared no efforts to raise the country's level of food production and to encourage foreign-exchange-earning industries. Mexico is now in third place as the world's largest coffee producer, and the receipts from coffee exports may go a long way to offset lower earnings from the exports of nonferrous metals and cotton.

In Peru, Ecuador, and Uruguay, where a fair balance has been preserved, expansion of foreign-exchange-earning capacity is also essential if these countries are to maintain the present rate of growth.

Barriers to Investment; Inflation and Nationalism

Ordinarily the expansion of export industries in cases where they are chiefly financed by local capital, as in Argentina or Brazil, should not create great problems. There is plenty of money available. However, because of inflation, foreign exchange and price controls, local capital is reluctant to take risks. The private individual still prefers to protect himself by buying land or building a house. That explains the fabulous real estate prices and building booms in all Latin American countries where inflation is a problem. The construction industries in turn compete for local materials and labor and make investment in an export industry risky, because the costs are rising rapidly.

With savings siphoned into housing construction, the banks and the government are often the principal enterpreneurs. In Chile, for example, industrialization and economic diversification is chiefly the work of the Government Development Company, the Fomento; similar institutions also exist in other Latin American countries. Some of the Fomento developments are really disguised government monopolies, employing relatively little labor and importing foreign raw materials. As a (*Please turn to page* 58)



1954 Outlook for

TV-Electronics —Movies

By STANLEY DEVLIN

No. 1 of Our Special Studies of Major Industries

Because of the ever-present television set and radio receiver in the American home and even beyond our threshold, the public almost invariably thinks of electronics exclusively in terms of these common consumer products. Actually, both items combine to give the electronics makers about one-third of their over-all revenues. Thus, while they bulk importantly among the products that contribute to a $5 billion annual business, there are literally hundreds of other items turned out by the industry for national defense, industrial and commercial use, in addition to the consumer market.

The electronics industry almost daily comes up with new products and new uses for its goods. The items that have become bread and butter to this business range from the paper-clip size transistor, that often supplants the vacuum tube and sells for a few dollars, to the room-size electronic computer, that supplants the human brain and is so prohibitive in cost it is leased rather than sold.

While the free world is filled with anxiety as it watches the race with the Soviet Union for atomic supremacy, it is hardly less important that we continue to maintain our electronic leadership. For every branch of the military leans heavily on this science, including the atomic field. Greatest growing segment of the electronics industry is the military application. From a revenue standpoint, the Government is twice as big a customer of this industry as the people who buy its radio and TV sets.

Electronics A Major Industry

In 1953 the electronics business registered an all-time peak, surpassing the feverish activity reached at the height of World War II. The total value of products turned out by the industry last year thus came to about $5 billion compared with approximately $4.2 billion in 1952 and the previous peak of $4,600,000,000 attained in wartime 1944.

The rise of nearly 20% in the over-all business from 1952 was due largely to a jump of 20% in radio-TV volume and an increase of 25% in military-equipment sales. Smaller but growing markets for industrial equipment and replacement parts also contributed to the rising volume. Before assaying the

Statistical Data on TV, Electronics and Movie Companies

(A) LEADING COMPANIES IN TELEVISION

	Earnings Per Share 1951	Earnings Per Share 1952	Earnings Per Share 1953	Dividends Per Share 1951	Dividends Per Share 1952	Dividends Per Share 1953	Recent Price	Div. Yield	Price Range 1953-1954
Admiral Corp.	$ 4.14	$ 3.69	$ 3.48	$ 1.00	$ 1.00	$ 1.00[1]	21	4.7%	32¾-18⅝
Avco Mfg.	1.10	1.20	.34	.60	.60	Nil[2]	5	....	8¾- 4½
Columbia Broadcasting System "A"	2.72	2.75	3.75[4]	1.60	1.60	1.85	47	3.9	50½-38¼
Cornell-Dubilier Electric	3.06	2.86	3.12	1.10	1.30[1]	1.35[1]	30	4.5	32⅜-18¼
DuMont (Allen B.) Lab. "A"	(d) .11	.55	.45[4]	.25	.25	Nil	9½	....	17¾- 8½
Hazeltine Corp.	2.30	3.10	n.a.	.87½	1.12½	1.50	36	4.1	36½-19
Magnavox Co.	3.01	1.80	2.93	1.50	1.50	1.50	18	8.3	22¼-15⅝
Motorola	4.12	3.62	3.66	1.00[1]	1.50	1.50	37	4.0	43⅛-29¼
Olympic Radio & Television	1.11	.20	.20[4]	.70[1]	[3]	Nil	4	....	9⅛- 3½
Philco Corp.	3.35	3.15	4.86	1.60[1]	1.60	1.60[1]	32	5.0	36½-26⅝
Raytheon Mfg.	1.12	.84	1.68	Nil	Nil	Nil	10	....	14⅝- 8
Sylvania Electric Products	3.81	2.77	3.10	2.00	2.00	2.00[1]	36	5.5	40 -29¼
Zenith Radio	10.91	11.87	12.50[4]	3.00	3.00	3.00	70	4.2	84 -62⅝

n.a.—Not available.
[1]—Plus stock. [2]—Indicated 1954 dividend. [3]—Paid in stock. [4]—Estimated.

(B) COMPANIES WITH IMPORTANT DIVERSIFICATION IN ELECTRONICS

	Earnings Per Share 1951	Earnings Per Share 1952	Earnings Per Share 1953	Dividends Per Share 1951	Dividends Per Share 1952	Dividends Per Share 1953	Recent Price	Div. Yield	Price Range 1953-1954
General Electric*	$ 4.79	$ 5.26	$ 5.75	$ 2.85	$ 3.00	$ 4.00	102	3.9%	104½- 66¼
International Business Machines	9.15	9.81	10.67	4.00[2]	4.00[2]	4.00[2]	296	1.3	296½-224
International Tel. & Tel.	2.60	3.09	3.00[1]	.60[2]	.80	1.00	16	6.2	20¼- 13½
Minneapolis-Honeywell Regulator	3.16	3.00	3.31	2.25	2.25	2.25	77	2.9	77 - 53½
Radio Corp. of America*	2.02	2.10	2.27	1.00	1.00	1.20[3]	27	4.4	29⅜- 21
Remington Rand	2.96	2.71	2.00[1]	1.00[2]	.75[2]	1.00	17	5.8	19⅝- 13⅝
Tung-Sol Electric	4.24	3.75	3.07	1.25	1.25	1.25	18	6.9	24⅞- 15⅞
Westinghouse Electric*	4.03	4.23	4.53	2.00	2.00	2.00	60	3.3	64¼- 39½

*—Also important manufacturers of TV. [1]—Estimated. [2]—Plus stock. [3]—Indicated 1954 dividend.

(C) LEADING MOVIE COMPANIES

	Earnings Per Share 1951	Earnings Per Share 1952	Earnings Per Share 1953	Dividends Per Share 1951	Dividends Per Share 1952	Dividends Per Share 1953	Recent Price	Div. Yield	Price Range 1953-1954
Loew's Inc.	$ 1.52	$ .91	$ .85	$ 1.50	$ .97½	$ .80	14	5.7%	14¾-10⅝
Paramount Pictures	2.33	2.52	2.70[2]	2.00	2.00	2.00	29	6.8	30½-24½
RKO Pictures	.09	(d) 2.60	n.a.	Nil	Nil	Nil	5½	....	5⅝- 2⅝
Twentieth Century-Fox Film	.77	1.18	1.25[2]	2.00[1]	.50	1.00	21	4.7	22½-13½
Universal Pictures	2.11	2.15	2.35	.60	1.00	1.25	20	6.2	20½-14
Warner Brothers Pictures	2.58	2.86	1.18	1.00[1]	1.00[1]	.90	14	6.4	17⅛-11⅛

n.a.—Not available. [1]—Old stock, before segregation. [2]—Estimated.

Leading Companies in Television

Admiral Corp.: In spite of narrowing profit margin and necessarily conservative dividends, longer term outlook enhanced by broader product line. (H)

Avco Manufacturing: Over-diversification of products and competitive pressures in appliances impede early earnings recovery (N)

Columbia Broadcasting "A": Substantial benefit from EPT expiration. Long-range growth of TV broadcasting warrants retention of shares. (H)

Cornell-Dubilier Electric: Products have good market potential, although risk element in stock is not absent. (N)

DuMont (Allen B.) Laboratories "A": Capital requirements and low level of earnings appear to preclude near-term dividends. (N)

Hazeltine Corp.: Patent position, as well as research and engineering, offer prospect of further growth for patient holders. (H)

Magnavox Co.: Emphasis on quality products is constructive, but competitive factors tend to cloud speculative appeal. (N)

Motorola, Inc.: Narrowing margins, resulting from competition, point toward delaying new commitments. (N)

Olympic Radio & Television: Financial position and erratic earnings record suggest speculative character of stock, with retention in doubt. (U)

Philco Corp.: Pressure of lower prices and absence of recent non-recurring profit are earnings factor. Dividends should be maintained. (H)

Raytheon Manufacturing: While defense developments are not without interest, the earnings trend appears opposed to speculative purchases. (N)

Sylvania Electric Products: With EPT expiration benefits and prospects of further long-term growth, retention is favored. (H)

Zenith Radio: Although price pressures may reduce near-term profits, longer term commitments need not be disturbed. (H)

Companies with Diversification in Electronics

General Electric: Sales trend over long-term definitely upward. Expansion program for first 10 postwar years will total $1,100,000,000. (H)

International Business Machines: Outstanding growth record. Electronic research enhances outlook. Rentals and service on machines in use add stability. (H)

International Tel. & Tel.: Increasing domestic business is a favorable long-term factor. Prospects over near term favorable. Yield good. (H)

Minneapolis-Honeywell: (please see article on stock-splits). (H)

Radio Corp. of America: Leading position in the electronics field assures long-term growth. Research is developing new products offering exceptional promise. (H)

Remington Rand: Competition in office equipment intensifying, but other lines becoming increasingly important. Stock speculative. (N)

Tung-Sol Electric: Growth prospects in television and electronic components offer speculative possibilities. (H)

Westinghouse Electric: Current large expansion program will increase production capacity greatly. EPT expiration benefits net substantially. (H)

Leading Motion Picture Companies

Loew's: Improving outlook for this well entrenched producer and exhibitor. Should maintain current dividend. (H)

Paramount Pictures: Expected to show further earnings gain. Has diversified interests and strong finances. Dividend should hold. (H)

RKO Pictures: Deficit in 1953 may have been slightly under previous year, but unpromising outlook makes stock highly speculative. (U)

20th Century-Fox: Current box office hits and favorable acceptance of CinemaScope promises further earnings gain. Supplemented first quarter regular payment with special dividend. (H)

Universal Pictures: Good domestic and foreign business reflected in rising earnings. Quarterly 25 cent dividend could be increased. (H)

Warner Bros.: Improved earnings for reorganized company depends on ability to produce pictures with box office appeal. Current dividend should hold. (N)

RATING — (H)—Hold. (N)—Neutral. (U)—Unattractive.

Comprehensive Statistics Comparing the Position of

Figures are in million dollars, except where otherwise stated.	Cornell-Dubilier Electric	Magnavox	Motorola	Philco Corp.	Radio Corp. of America
CAPITALIZATION:					
Long Term Debt (Stated Value)	$4.0	$.6	$7.8	....	$150.0
Preferred Stocks (Stated Value)	1.2	....	....	$10.0	$14.5
Number of Common Shares Outstanding (000)	512	758	1,935	3,701	14,031
TOTAL CAPITALIZATION	$5.7	$1.4	$13.6	$21.1	$192.6
INCOME ACCOUNT: For Fiscal Year Ended	9/30/53	6/30/53	12/31/53	12/31/53	12/31/53
Net Sales	$43.6	$57.9	$217.9	$430.4	$848.8
Deprec. Depletion, Amort., etc.	$.6	$1.6	$1.1	$3.4	$15.1
Income Taxes	$3.7	$2.3	$8.4	$16.9	$37.4
Interest Charges, etc.	$.16	$.4	$.7	....	$4.6
Balance for Common	$1.6	$2.2	$7.0	$17.9	$31.8
Operating Margin	12.2%	8.6%	6.9%	6.3%	8.5%
Net Profit Margin	3.8%	3.8%	3.2%	4.2%	4.1%
Percent Earned on Invested Capital	13.5%	21.3%	15.4%	19.8%	16.2%
Earned Per Common Share*	$3.12	$2.93	$3.66	$4.86	$2.27
BALANCE SHEET: Fiscal Year Ended	9/30/53	6/30/53	12/31/53	12/31/53	12/31/53
Cash and Marketable Securities	$4.4	$2.4	$9.0	$18.7	$108.7
Inventories, Net	$8.9	$14.8	$22.5	$57.5	$108.1
Receivables, Net	$3.4	$7.2	$30.0	$50.8	$124.2
Current Assets	$16.8	$25.6	$70.8	$129.5	$341.1
Current Liabilities	$6.7	$18.5	$33.0	$76.0	$120.7
Working Capital	$10.1	$7.1	$37.8	$53.5	$220.4
Fixed Assets, Net	$5.1	$4.0	$14.3	$36.0	$134.1
Total Assets	$23.0	$29.8	$86.8	$168.4	$493.6
Cash Assets Per Share	$8.56	$3.16	$4.63	$5.07	$7.74
Current Ratio (C. A. to C. L.)	2.5	1.3	2.1	1.7	2.8
Inventories as Percent of Sales	20.5%	25.6%	10.3%	13.1%	12.7%
Inventories as Percent of Current Assets	53.5%	58.0%	31.8%	44.4%	31.7%
Total Surplus	$10.6	$9.8	$40.1	$71.3	$173.0

***—Data on dividend, current price of stock and yields in supplementary table on preceding page.**

outlook for the year now underway, it would be well to review a number of the important developments of 1953 in each of the industry's major markets.

Television

In TV and radio, 1953 sales at factory values were $1.4 billion against $1.3 billion a year earlier. Sales of TV sets to the public rose slightly, to 6,375,000 from 6,145,000 in 1952, while radio receiver sales totaled 12,200,000, a gain of 12%. Throughout most of the year demand for TV sets ran well ahead of the preceding year, but in the final four months fell behind. For the final quarter, volume was down about 23% from the like 1952 period. The sag was due primarily to public belief that color TV was in the offing.

The public, through advertising, publicity and demonstration, is indeed aware of its existence. This has spawned an attitude of "Why tie up a lot of money in a black-and-white set when you know color will make your set obsolete?". Thus, sets priced above $200 "go begging." And, regardless of price, anyone can get a discount, usually about 30%, from the listed retail price. As a result, dealers have been wary about adding to stocks. If this trend persists, the inventory situation may over-correct itself swiftly.

At the Christmas season, warehouses and stores were bulging with sets. The industry began taking steps with the turn of the year. Production of TV receivers in January dropped about 50% from a year earlier. Radio production also showed a decline, according to the Radio-Electronics-Television Manufacturers Association. In January 420,571 TV sets and 871,981 radios were manufactured. During the like month in 1953 a total of 719,234 TV receivers and 1,093,142 radios were produced. In December 449,787 TV receivers and 1,101,115 radios came off the production lines.

And the TV industry is not out of the woods yet, though the public bought more black and white TV sets in January, 1954, than in any previous like month. Stores and producers have been saying for some weeks that sales are substantial. These reports do not, however, mention that the record was achieved by cutting store prices drastically. TV sets are on the bargain counter today as never before in

Leading TV & Electronic Companies

Raytheon Mfg.	Sylvania Electric Products	Westinghouse Electric	Zenith Radio
$3.1	$44.1	$323.8	....
$4.0	$28.9	$50.0	....
2,176	2,668	15,985	492
$18.1	$93.0	$573.6	$3.6
5/31/53	12/31/53	12/31/53	12/31/53
$179.1	$293.2	$1,582.0	$166.7
$2.2	$6.8	$28.7	$1.2
$9.1	$14.9	$74.2	$7.5
$.9	$2.4	$10.7	....
$3.6	$8.2	$72.4	$5.6
7.6%	8.3%	9.3%	8.1%
2.1%	3.2%	4.7%	3.3%
12.0%	8.9%	10.6%	15.7%
$1.68	$3.10	$4.53	$11.44*
5/31/53	12/31/53	12/31/53	12/31/53
$5.7	$18.1	$220.3	$16.4
$46.5	$72.9	$497.4	$13.1
$25.4	$48.5	$204.4	$11.4
$77.7	$140.1	$829.5	$41.0
$55.2	$53.0	$199.8	$16.6
$22.5	$87.1	$629.7	$24.4
$12.3	$58.9	$285.4	$10.9
$91.2	$204.4	$1,265.3	$52.4
$2.66	$6.82	$13.78	$3.35
1.4	2.6	4.1	2.4
25.9%	28.2%	31.4%	7.8%
59.9%	52.0%	60.0%	31.9%
$17.1	$58.3	$447.0	$32.2

the history of the busines. Thus, a 21-inch floor model that would have cost $279 before Christmas now is available at $199. A Radio Corp. of America official said that firm's 10%-to-15% price trim was the chief reason for its 1954 gain in sales and production. Westinghouse cut prices even more sharply.

The fact that retail sales of TV sets were around peak levels in 1953 has often been overlooked since the Fall of 1953 when production cutbacks became necessary to preclude further accumulation of onerous inventories. It should be borne in mind that stocks of TV sets at the beginning of 1953 were somewhat low in relation to normal demand and to the number of retail outlets. It was not until midsummer that this condition was corrected. However, the decline in retail sales, beginning in September, was so sudden that there was over-production for several months. This resulted in sharp cut-backs in the last two months of the year and brought total stocks down to the level of 1,900,000 sets at year-end. Although this represented a substantial increase from the figure of 1,200,000 a year earlier, it was not far out of line with what the trade regards as a normal stock level of 1,600,000 sets.

This year, of course, manufacturers are gearing output more closely to retail demand. At the end of February, industry sources said there were 350,000 fewer sets in the supply pipelines than in December, 1953.

Since the approval by the Federal Communications Commission in 1953 of a compatible color system—it enables owners of the present monochrome sets to receive color telecasts in black and white—the industry, no less than the public, has been in a dither. There has been much jockeying for position in the wild scramble to get to market first with a color set that will have widespread sales appeal. The industry is aware that everyone once more is back at the starting line and the first company to come along with a practical, low-price set will enjoy an enormous advantage.

To date, only a few hundred color sets have been turned out, but regular production runs are about to begin. A reasonable guess would be that total production this year will be little more than 100,000 color units. Increases in output thereafter should follow fairly closely the growth pattern of black and white, although production may increase faster in the early years, reflecting greater know-how on the part of manufacturers. At best, it is likely to be 1956 before a true mass market for color is achieved. Thus, black and white must continue to be the major source of revenue for the set industry for the next couple of years.

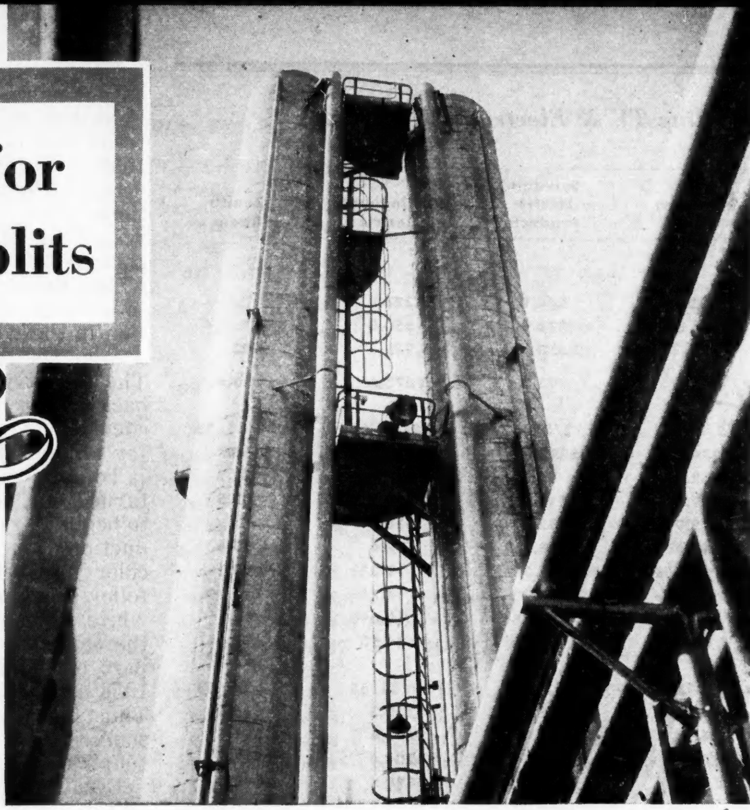
Because of their complexity, color sets, at best, will be more costly than black and white. They probably will have about 36 tubes compared with 20 in monochrome units and the number of many of the other components used will be from two to two and one-half times as great. Considerable development work also will have to be done to reduce the high cost of the picture tube, which now is seven times as expensive as a black-and-white tube. Nevertheless, within three to four years the cost of color sets should be brought down to a range of 25% to 50% above that for black and white of comparable picture size.

While jokes about radio are as popular among TV comedians as mother-in-law jests were the stock in trade of vaudeville funny men, radio set sales continue fairly brisk. Today there are some 120,000,000 radio receivers in use. They are to be found in 94% of the nation's homes and in about 80% of the cars on our highways. Their number rises with each passing year, the ratio having risen from 1½ sets per household at the end of World War II to about two per home today. Demand for home receivers of all types was down slightly last year to little more than 7,000,000 from 7,700,000 in 1952, but this was more than offset by a sharp jump in car radios, to 5,200,000 from 3,200,000. As long as people love music and retain an interest in current events, there will be a vast market for radio receivers.

Since the Communist aggression in Korea, the biggest single customer of the electronics industry has been the defense establishment and it is rather remarkable that the industry has been able to hike production of military electronic equipment tenfold since 1950 while simultaneously maintaining output of radio and television sets close to peak levels.

In the last four fiscal years more than $12 billion of Government funds have been obligated for the purchase of electronic equipment. The $2.8 billion actually spent last year (*Please turn to page* 52)

Candidates for 1954 Stock Splits



By

JOHN D. C. WELDON

Although it is still too early to tell, at least judged by the swelling volume of stock splits already proposed thus far in 1954, it would appear that the current year will witness a considerable addition to the number of companies that have split their shares in recent years. As might have been expected in a mixed market year, 1953 saw only 23 companies listed on the N. Y. Stock Exchange splitting their shares. In 1952, there were 35; in 1951, 49; and in 1950, 33. The record high was in 1946 with 74.

Precise relationship betwen the number of stock splits in any given period and market action is difficult to define but there is little doubt that most stock splits take place in rising markets of considerable duration.

Stock splits are often proposed by directors early in the year, in advance of annual stockholders' meetings, in order to give stockholders an opportunity to vote on the recommendation. It should not be construed, however, that this is a fixed pattern. From the practical standpoint, directors considering the recommendation of a stock split are more apt to be influenced by market conditions and have been even known to defer a contemplated split until the market was "right". There is nothing ulterior in this. One of the main purposes of a stock split is to gain stockholder support and confidence. This is easier to arrive at when the market is strong and stock split attractive than when the market is weak and stockholders are not interested particularly in whether the shares are split or not. Since the market had been quite strong from the beginning of this year, it is not surprising that the number of stock splits have increased.

A Dynamic Factor

Stock splits have been a dynamic factor in the strength of individual stocks in 1953 and thus far in 1954. For example, stock splits in such issues as General Electric, Douglas, Boeing, Shell and Aluminum Co. have been preceded by striking market advances. These are paramount examples of "growth" companies and the splitting of their shares in recognition of accumulated earning power and financial strength arising from a strong, strategic position in their respective industries over a period of years.

There have been, however, a number of instances of stock-splitting where sustained growth characteristics have not been particularly predominant and where fragmentation of shares has been due rather to a largely fortuitous increase in earnings which may not be maintained in the future. In such cases, stock splitting may be said to have a rather temporary market value which is more likely than not to be dissipated when earnings relapse to a more normal level. There is, therefore, a considerable difference between the potential value of a stock split by one of the great, progressive companies and one split by a lesser company which is temporarily favored by substantial earnings.

The comparison is well illustrated in the accompanying table "market record of stock splits in 1953-1954." Despite a fairly prolonged general market advance since last October, many of the issues listed have made little headway since the splitting of the shares and some are actually selling under these levels. It would appear that in such instances speculators for the rise in anticipation of a stock split, would have done as well by disposing of their stock just before the effective date of the split, when the price is normally at its maximum for the pre-split period.

This, of course, does not concern the long-term investor essentially interested in dividend return. To such investors, the primary value of a stock split is that it may be followed by a raise in the cash

dividend. Of the 25 stocks listed on the table referred to, including 2 which were split this year, 17 raised their cash dividends and 8 remain unchanged.

12 of the stocks listed showed gains after the shares were split and 13 were either relatively unchanged or lower. Largest proportional gains retained up to present writing were: Aluminum Co. of America, Crown Zellerbach, Halliburton Oil Well, McGraw-Hill and West Virginia Pulp & Paper.

Of the stocks showing gains, regardless of their extent, the following still appear attractive as long-term investment holdings: Aluminum Co. of America, American Gas & Electric, Associates Investment, C.I.T. Financial, Cincinnati Gas & Electric, Halliburton Oil Well, Pacific Lighting, Seaboard Airline, Southern Rwy, and West Virginia Pulp & Paper. Each of these stocks has well defined growth prospects. All have been covered in greater or less detail in past issues of the Magazine.

Proposed Splits

In addition to stocks split in 1953 and 1954, up to this date 7 have been proposed for consideration by stockholders. These are listed in the accompanying table. There is no reason to believe that the directors' recommendations will not be approved. With the exception of General Electric, to be split three-for-one, all the others will be on a two-for-one basis.

The market action of each of these issues in recent months proves that the decisive factor in their rise was expectation of a stock split by those very close to the picture. All other factors, specially the rate of earnings, had already been fairly well indicated, at least for the first three quarters of the year. If earnings had been the predominant factor in market action, there is no reason why advances could not have occurred long before they did, as in each case prospects for higher earnings were already plainly defined.

At present, each of the issues due for stock splitting in the near future is selling at the peak of a sustained advance. Even in cases where ultimate prices, after splitting the shares, may reach higher levels it is normal for such issues to rest for a period after actual splitting, thus rounding out the necessary period of consolidation of recent market gains.

In addition to the 7 stocks which directors have already proposed for splitting and which have been listed in the table we have grouped a few stocks which are likely candidates for stock splits. Although there are others which possess similar potentialities the six which we have selected appear not to have yet fully discounted such possibilities. Each of these companies is outstanding in the respective fields.

Among other important stocks that may be mentioned as having possibilities for stock splits are: Rohm & Haas, U.S. Gypsum, Ingersoll Rand, Hercules Power, McGraw Electric, Minneapolis Honeywell, Monsanto Chemical, Owens-Ilinois Glass, Panhandle Eastern Pipeline, Reynolds Metals, Scott Paper and Zenith Radio. The higher-priced issues—Rohm & Haas, U.S. Gypsum and Ingersoll Rand, in particular—seem to have gone far towards discounting stock split possibilities.

We have confined our discussion only to stocks listed on the New York Stock Exchange. A number of other companies whose shares are unlisted, or listed on the American Stock Exchange have also split their shares or may consider doing so in the future. Owing to the fact that complete statistical data on such issues is generally not available, we have not deemed them suitable for inclusion.

In the following, we present a brief description of the stocks selected as candidates for stock splits.

Market Record of Stock Splits 1953-1954

	Basis of Split	Opening Price* on New Stock	Effective Date of Split	Price Range Since Split From Date of Split	Recent Price	Total 1953 Dividends Adjusted for Stock-Split	Dividend Change Since Stock Split†
Aluminum Co. of America	2-1	44⅞	4/20/53	65¾-42½	65	$ 1.57½	Increased from $.37½ to $.40
American Gas & Electric	2-1	32½	1/30/53	36⅜-27⅜	36	1.60[1]	Increased from $.37½ to $.41
Associates Investment	3-1	30⅜	4/7/53	35½-25½	35	1.65	Increased from $.33½ to $.45
Buffalo Forge	2-1	29¼	1/25/54	29½-25½	28	2.00	Increased from $.25 to $.35
C. I. T. Financial	2½-1	29¾	2/3/53	33⅝-24⅝	33	1.80	Increased from $.40 to $.50
Cincinnati Gas & Electric	2-1	19	5/21/53	22⅝-17½	22½	1.00	Unchanged
Clevite Corp.	2-1	25⅜	4/13/53	25⅝-18	21½	1.15	Unchanged
Crown Zellerbach	2-1	29¾	4/28/53	42 -26½	41	1.65	Increased from $.37½ to $.50
General American Transp.	2-1	33⅞	7/13/53	46 -31	44	1.87½	Increased from $.37½ to $.50
Halliburton Oil Well	2-1	27¾	8/17/53	34⅞-23⅝	34½	1.65	Increased from $.37½ to $.45
Jewel Tea	2-1	39	4/1/53	43½-34	41½	1.57½	Increased from $.37½ to $.40
Kansas City Southern Ry.	2-1	43	5/11/53	45¼-36⅜	43½	2.62½	Increased from $.62½ to $.75
Kansas City Southern Ry. Pfd.	2-1	36⅝	5/11/53	39⅜-32½	39	2.00	Unchanged
Kelsey-Hayes Wheel	2-1	19	7/2/53	20⅛-13⅝	16½	1.50	Unchanged
Lehman Corp.	2-1	34¾	11/6/53	36½-33½	36	.98	Unchanged
McGraw-Hill	2-1	31½	8/4/53	44¾-26½	44½	2.00	Increased from $.37½ to $.60
Minn. Power & Light	2-1	20	11/2/53	23⅞-42	22	1.20	Increased from $.27½ to $.30
Pacific Lighting	2-1	33	11/13/53	35⅛-32¾	34	1.62½	Increased from $.37½ to $.50
Seaboard Air Line R.R.	2½-1	45⅛	7/24/53	47⅞-36⅝	46	3.00	Increased from $.60 to $.80
Sheraton Corp. of America	2-1	7½	3/4/54	7½- 7¼	7⅜	.30[1]	Increased from $.07½ to $.10
Skelly Oil	2-1	37⅛	9/8/53	43¼-33¼	43	1.62½	Increased from $.37½ to $.40
Southern Ry.	2-1	46⅛	6/26/53	49⅞-38	45½	2.50	Unchanged
Southern Ry. Pfd.	2-1	39⅝	6/12/53	41¼-36¼	41	2.50	Unchanged
West Va. Pulp & Paper	4-1	22	11/5/53	29⅜-21⅞	28	1.00	Increased from $.12½ to $.35
Weston Electric Instrument	2-1	21⅞	5/4/53	22⅞-16½	19½	1.00	Unchanged

*—Average price on opening day. [1]—Plus stock. †—Refers to regular or periodic payments only.

CORNING GLASS. Like many other companies with marked growth characteristics, actual earnings as reported have trailed behind potentialities. But the market gives much greater weight, in such instances, to long-range future possibilities than to current earnings. The market is looking ahead some years in this case and these expectations seem justified in view of the company's unusually strong position with respect to new technological developments relating to joint activities by its affiliates, Owens-Corning Fibreglass, Dow Corning and Pittsburgh Plate Glass. These activities embrace important potentialities in electronics and chemistry which have been more or less untapped and which are destined for very rapid growth. While the stock has little appeal from the yield standpoint this is largely compensated for by the marked growth outlook. There are 2,659,000 outstanding shares of common stock which has remained constant since 1945 when a 4-for-1 split was ordered.

HOOKER ELECTROCHEMICAL CO. Prospects for a stock split may be further off with respect to this company than for some others listed in this group but seem well-defined nevertheless. The company has made remarkable progress in research and development and is an outstanding leader in its field of electrolytic chlorine and other chemical products derived from salt brine. These are basic constituents in a long list of chemical compounds which feed the following important industries among many others: industrial chemicals, paper, petroleum, agricultural chemicals, rayon and cellulose, pharmaceuticals and cosmetics, soaps, textiles and plastics. The company has been extremely active in developing new plant capacity and has just completed a major two-year construction project costing over $25 million. With the greatly enlarged capacity available Hooker Electrochemical is in a position to magnify sales over the coming years. The stock has consistently sold at a high ratio of market price to earnings, which is a characteristic of the better-grade growth stocks. Common stock outstanding is 978,000 shares which has remained unchanged since 1947, when a 2-for-1 split was declared. Probably some further consolidation of the company's earning power would be necessary before another split can be considered but basic growth potentials would seem to point in that direction eventually.

MINNEAPOLIS - HONEYWELL REGULATOR CO. Though this interesting company has shown remarkable growth in the past decade, it probably stands at the threshold of an even more important period of expansion. The reason for this is the rapid increase in demand from the aircraft industry for the type of control equipment manufactured by the company. A second important new field is the transistor which, it is believed, may eventually go far in displacing the vacuum tube. Both of these relatively new fields should widen the company's potentials, in addition to its basically strong position in heat control, in which it is a leading factor. Last year, the company paid excess profits taxes equivalent to about $1 a share on the common. Present common stock outstanding is 3.1 million shares which has remained unchanged since the 2-for-1 split in 1950.

OWENS-ILLINOIS GLASS CO. This is the largest manufacturer in the United States of glass bottles and containers and its position is enhanced by its joint ownership of a one-third interest in Owens-Corning Fibreglass Co. (mentioned in connection with Corning Glass). This holding of 1,050,000 shares was reduced last year by the sale of 90,000 shares in order to implement various financing moves. The Duraglass division's output has attained extremely large proportions in recent years and reaches very large and growing markets in the following industries: prepared and processed food, medicinal, health, dairy, household, toiletry and cosmetics. Also beer, carbonated beverages, liquor and wine. All these are affected by population trends which are expected to be favorable for the next decade at least. Other products, particularly plastics and fire-resistant insulating materials, have potentially large markets. Research and development is at an annual cost of over $6 million. There are 3 million shares of capital stock (*Please turn to page* 44)

(A) Proposed Splits for 1954

	Basis of Proposed Split	Price Range 1953-1954	Earned Per Share 1953	Div. Per Share 1953	Recent Price	Div. Yield
Boeing Airplane	2-1	65⅜-36½	$11.00[1]	$ 3.50	63	5.5%
Carolina Power & Light	2-1	45 -34½	3.00	2.00[2]	43	6.9
Douglas Aircraft	2-1	107 -60	15.46	6.50	104	6.2
General Electric	3-1	104½-66¼	5.75	4.00	102	3.9
Illinois Central	2-1	90 -65⅛	18.59	5.00[3]	86	5.8
Ruberoid	2-1	70½-50½	6.67	3.50[2]	67	5.2
Shell Oil	2-1	91 -62⅝	8.40	3.00[2]	90	3.3

(B) Candidates for Future Stock-Splits

	Price Range 1953-1954	Earnings Per Share 1952	Earnings Per Share 1953	Div. Per Share 1953	Recent Price	Div. Yield
Corning Glass	94 -70	$ 3.77	$ 5.00[1]	$ 2.00	93	2.1%
Hooker Electrochemical	65 -55	2.90	2.87	2.00	65	3.1
Minneapolis-Honeywell Reg.	77 -53½	3.00	3.31	2.25	77	2.9
Owens-Illinois Glass	82¾-69¼	5.30	5.32	4.00	78	5.1
Standard Oil of Indiana	81½-65⅝	7.81	8.11	2.50[2]	78	3.2
Sunshine Biscuit	80½-66	5.71	5.89	4.00	78	5.1

[1]—Estimated. [2]—Plus stock. [3]—Indicated 1954 rate.

5 Strong Diversified Stocks

By OUR STAFF

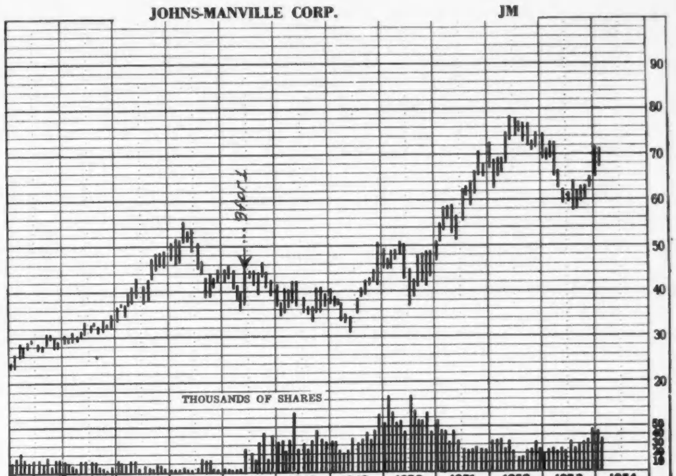
Diversification in stocks, provided it is done with discrimination, remains one of the most effective means of obtaining satisfactory investment results. The problem, however, is not as simple as it sounds. The assembling of assorted stocks, merely for variety, conforms with true diversification patterns only on surface. What is needed instead is a definite program into which the constituent parts fit in harmoniously with one another. This means that basic requirements such as established earning power, dividend security, financial strength, must all be considered before the investment is made. Further, the stocks should not only represent strong industries but the companies should be among the leaders in their respective fields. Dividend return should also be considered in relation to the income tax status of the individual investor. Those in high income-tax brackets can afford to accept comparatively low yields whereas investors in a more moderate financial position should seek securities with higher—though always secure—yields.

We have selected five stocks which we believe conform to the above requirements. Each company has greatly improved its position since the end of World War II, and while the stocks are not of the highest investment type, except possibly Johns-Manville, they nevertheless have long-range appeal from the speculative as well as investment standpoints.

The collective yield on the five stocks is approximately 6% which is somewhat above, on average, for good-grade stocks. Issues of authentic investment calibre, of course, now yield much less.

In view of the rise in the market over recent months, the most practical course for prospective investors in these issues would be to use the "dollar averaging" method. Thus, half the amount could be bought at around current prices and the balance on any good-sized setback.

Relevant statistical data and individual comment is presented in the following columns.



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	1.76	2.15	1.91	2.01	3.23	5.22	4.85	7.22	7.76	7.14	6.20	
DIV.	.75	.91⅔	1.08⅓	1.16⅔	1.40	2.00	2.50	3.50	4.25	4.25	4.25	
Wkg Cap $ MM	28.6	25.3	25.8	24.6	26.9	35.1	27.7	32.4	27.9	27.9	26.1	

JOHNS-MANVILLE CORPORATION

BUSINESS: Through 22 manufacturing plants that have as sources of principal raw material company owned asbestos mines, including one rated the largest in the world, Johns-Manville produces upward of 400 diversified products extensively used by the building, automotive, chemical, petroleum, aircraft, paper, and other industries.

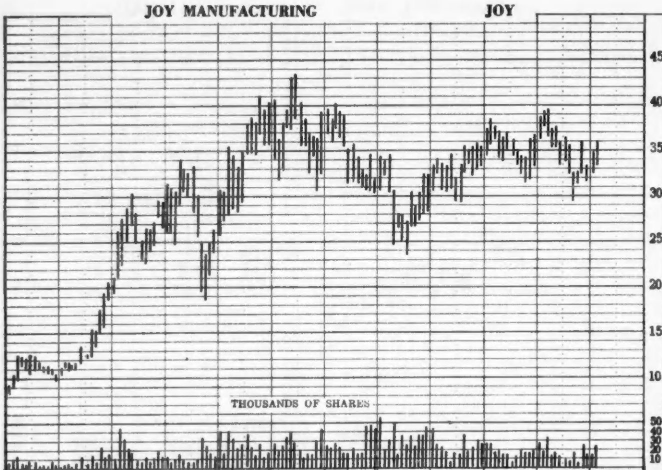
OUTLOOK: Although the name Johns-Manville is one of the foremost in the building industry because of the company's varied products going into all types of structures, ranging from modest priced homes to hospitals, schools, and modern skyscrapers, constant research, accelerated in recent years, has created a diversification equalled by few other companies. Through this broad diversification the company has developed a strength which should enable it to maintain sales and earnings at highly satisfactory level at a time, such as the present, when general business activity has receded from the high marks set in recent years. As a matter of fact, Johns-Manville, while riding the crest of the postwar boom, has been preparing to meet changing conditions, extending its interests abroad and expending in the last five years $68.3 million of internal funds for additions, replacements and investments, largely to reduce production costs and provide facilities for new products. In 1953, for the fourth successive year, sales set a new high record at $252.6 million, compared with $244.7 million in 1952. Net earnings last year, however, as a percentage of sales dipped to 7.8% from 9.2% in the previous year, due in part to a drop in demand for certain grades of asbestos fibre, higher wage and salary scales, and also increased depreciation charges applied to two of the asbestos mines. As a result, net earnings, amounting to $22.6 million or $7.14 a share in 1952, declined to $19.6 million, equal to $6.20 a share last year. The company entered 1954 in its usual strong financial condition. Net current assets amounted to $26.1 million, in addition to which it had a fund of $30.9 million upon which to draw for contingencies and expansion of plant facilites.

DIVIDENDS: Payments have been made in each of the last 20 years. Current rate of $4.25 a share annually has been maintained since 1951.

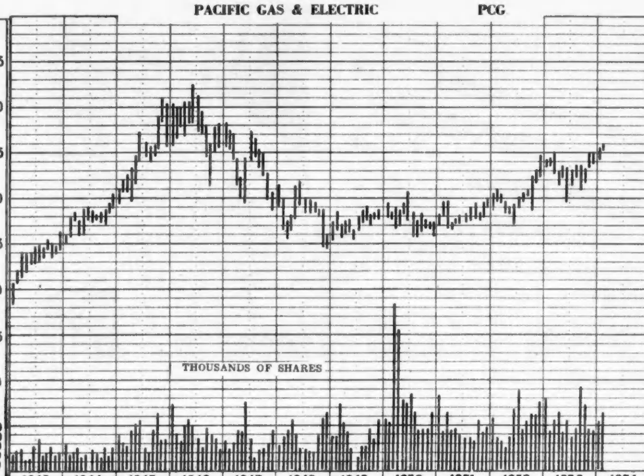
MARKET ACTION: Recent price of 68⅜, compares with a 1953-54 price range of High—74⅜, Low—57¾. At current price the yield is 6.2%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 16,162	$ 12,238	—$ 3,924
Receivables, Net	8,903	25,859	+ 16,956
Inventories	11,533	22,926	+ 11,393
TOTAL CURRENT ASSETS	36,598	61,022	+
Net Property	22,423	90,448	+ 24,424
Investments	583	6,536	+ 5,953
Deferred Expend. Fund	12,126	30,937	+ 18,811
Other Assets	2,495	2,190	— 305
TOTAL ASSETS	$ 74,225	$191,133	+$116,908
LIABILITIES			
Accounts Payable & Accru.	$ 3,782	$ 15,633	+$ 11,851
Tax Reserve	7,482	19,196	+ 11,714
TOTAL CURRENT LIABILITIES	11,264	34,829	+ 23,565
Other Liabilities	006	....	— 006
Reserves	8,451	8,923	+ 472
Long Term Debt	....	4,330	+ 4,330
Common Stock	34,000	58,487	+ 24,487
Surplus	20,504	84,564	+ 64,060
TOTAL LIABILITIES	$ 74,225	$191,133	+$116,908
WORKING CAPITAL	$ 25,334	$ 26,193	+$ 859
CURRENT RATIO	3.2	1.8	— 1.4



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
1.96	2.10	1.42	3.29	8.52	8.14	4.41	5.74	5.74	5.41	5.89		EARN.
.80	.80	1.00	1.50	2.10	3.40	2.90	2.50	2.75	3.12½	3.12½		DIV.
4.3	4.3	4.1	13.7	16.7	24.5	33.5	31.8	33.6	32.0	29.7	Wkg Cap $ Mil	



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	2.23	2.18	2.16	2.72	2.57	2.51	2.02	2.48	2.04	2.31	3.12	
DIV.	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.05	
	1.5	d.1	5.9	31.1	27.0	d5.5	d5.9	31.1	d19.4	d9.9	d27.6	Wkg Cap $

JOY MANUFACTURING COMPANY

BUSINESS: The company is the largest manufacturer of machines and equipment originally designed for mining of coal have been adapted to mining of iron ore, and other underground deposits. Further diversification has been achieved through manufacture of air and gas compressors, vacuum pumps, hoists, heating and ventilating fans, and a number of other products for varied industries and in commercial and other types of buildings.

OUTLOOK: An outstanding feature of the company's growth in recent years is the development of completely new products creating important new markets for Joy Manufacturing in industries, other than mining, such as foundries, factories, steel mills and other manufacturing plants and commercial buildings. This diversification is reflected in sales expansion from $51.3 mllion in 1947 to a 1952 record high of $78.8 million, and $77.7 million in 1953, with total volumes in each of the last two years being equally diivded between sales to coal mines and to others. This is in contrast to the 1949 division of 76% to coal mines and only 24% to others, although 1953 sales to the coal industry paralleled 1949 volume, indicating the continued trend in the mechanization of coal mining operations. Net earnings of the company in its fiscal year ended Sept. 30, last, after Federal taxes, including 72 cents a share in EPT, totaled $4.7 million, equal to $5.28 a share, as compared with 1952 net of $4.6 million after taxes, including 99 cents a share EPT, equal to $5.19 a share. Tax refunds brought final net to $5.41 a share for 1952, compared with $5.89 a share last year. Although sales for the first quarter of the current fiscal 12 months, totaling $18.6 million were down from $19.5 million for the first quarter of 1952-53, net earnings increased to $1.40 a share from $1.27 in the earlier period. The remaining months of the year should be helped by the absence of EPT since the beginning of the company's second quarter. The company on Dec. 31, last, had current assets, including more than $4.9 million in cash, of $42.6 million against current liabilities of $12.8 million.

DIVIDENDS: Payments, inaugurated in 1939, have been maintained without interruption. A quarterly rate of 62½ cents, plus year-end extra of same amount, has been paid since 1952.

MARET ACTION: Recent price of 34, compares with a 1953-54 price range of High—39¾, Low—29¼. At current price (including the extra) the yield is 9.1%.

COMPARATIVE BALANCE SHEET ITEMS

	Sept. 30 1944	Dec. 31 1953	Change
	(000 omitted)		
ASSETS			
Cash & Marketable Securities	$ 1,032	$ 4,975	+$ 3,943
Receivables, Net	1,603	12,017	+ 10,414
Inventories	4,799	25,635	+ 20,836
TOTAL CURRENT ASSETS	7,434	42,627	+ 35,193
Net Property	719	10,484	+ 9,765
Investments	....	5,656	+ 5,656
Other Assets	275	1,015	+ 740
TOTAL ASSETS	$ 8,428	$ 59,782	+$ 51,354
LIABILITIES			
Current Dept Payable	$ 350	$ 4,067	+$ 3,717
Accounts Payable	803	1,625	+ 822
Accruals	551	1,327	+ 776
Tax Reserve	1,408	5,857	+ 4,449
TOTAL CURRENT LIABILITIES	3,112	12,876	+ 9,764
Long Term Debt	405	4,919	+ 4,514
Common Stock	384	894	+ 510
Surplus	4,527	41,093	+ 36,566
TOTAL LIABILITIES	$ 8,428	$ 59,782	+$ 51,354
WORKING CAPITAL	$ 4,322	$ 29,751	+$ 25,429
CURRENT RATIO	2.4	3.3	+ .9

PACIFIC GAS & ELECTRIC COMPANY

BUSINESS: The company operates an integrated system extending into 45 California counties with an estimated population of 5.6 million, representing a gain since 1940 of 73%. The area served embraces San Francisco, Oakland, Sacramento, Stockton and other important industrial cities as well as rich agricultural districts.

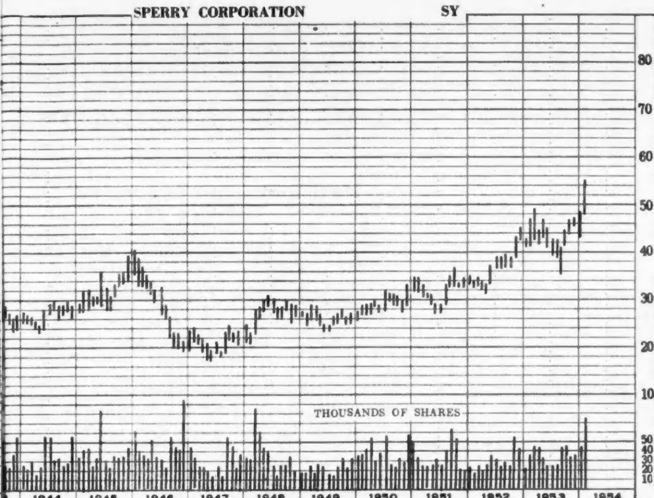
OUTLOOK: To keep pace with the rapid growth in population and increased industrial and agricultural activity of the broad territory the company serves with electricity or gas, or both, P. G. & E., since the end of World War II has expended $1,174 million, $197 million of this sum being spent in 1953, for enlarging and expanding both electric and gas facilities. In addition to its several gas generating plants, the company now has in operation a total of 15,350 miles of natural gas transmission and distribution lines, and 74 electric-generating plants, 57 of which are hydro-electric plants, the combined capacity of all plants being 3,525,200 kilowatts. Within the five years to the end of 1953, electric and gas revenues have expanded from $215.7 million to $362.4 million with other revenues in 1953, bringing the total for that year to a record high of $364.3 million, as compared with $314.4 million for 1952. Sales of electricity and gas in 1953 were up from 1952 levels by 10% and 3.2% respectively with the net gain in revenues of 16% being helped by higher electric rates in effect throughout the year. Reflecting these gains is the substantial growth in net income, also at a record high of $59.7 million, more than $12 million over that realized in 1952, and equal to $2.82 a share on the 15,574,549 common shares outstanding, as compared with $2.31 on 13,627,720 shares outstanding at the close of the preceding year. While there are indications that the rate of growth in the company's territory may slacken from the pace set during recent years, the outlook is for a steady uptrend in gas and electric revenues and a corresponding expansion in earning power. The stock appears to be one of the more attractive in the utility group for its long-range possibilities.

DIVIDENDS: Payments on the common stock have been made without interruption since 1919. Current $2.20 annual rate was increased from $2.00 a share during 1953.

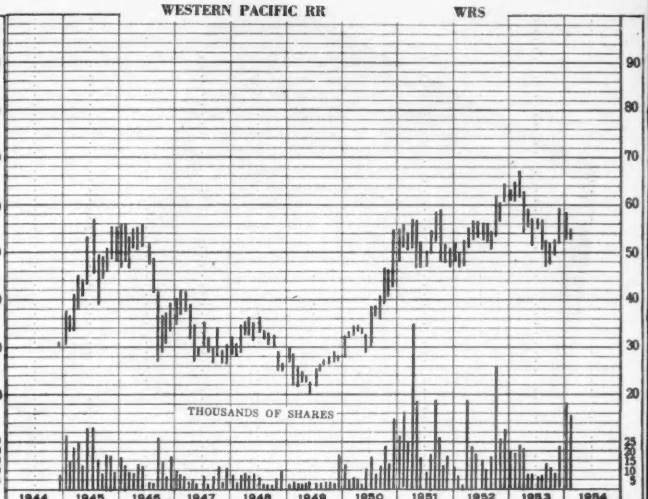
MARKET ACTION: Recent price of 41¼, compares with a 1953-54 price range of High—41¼, Low—31½. At current price the yield is 5.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
	(000 omitted)		
ASSETS			
Cash & Marketable Secur.	$ 20,556	$ 32,697	+$ 12,141
Receivables, Net	13,654	25,358	+ 11,704
Materials & Supplies	6,045	19,380	+ 13,335
TOTAL CURRENT ASSETS	40,255	77,435	+ 37,180
Plant & Equipment	833,673	1,872,439	+ 1,038,766
Investments	8,651	3,855	— 4,796
Other Assets	30,506	15,472	— 15,034
TOTAL ASSETS	$913,085	$1,969,201	+$1,056,116
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 40,328	$ 105,047	+$ 64,719
Other Liabilities	6,448	9,413	+ 2,965
Reserve for Deprec.	182,441	345,814	+ 163,373
Other Reserves	13,399	1,372	— 12,027
Contrib. to Construction	678	4,874	— 4,196
Long Term Debt	304,362	709,414	+ 405,052
Preferred Stock	144,621	291,938	+ 147,317
Common Stock	164,829	431,695	+ 266,866
Surplus	55,979	69,634	+ 13,655
TOTAL LIABILITIES	$913,085	$1,969,201	+$1,056,116
WORKING CAPITAL	$ (d) 073	$(d)27,612	+$(d)27,539
CURRENT RATIO	.....	.....	.....



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	4.05	3.45	3.65	2.79	4.32	2.62	4.72	5.36	6.75	E7.25	
DIV.	2.00	2.00	1.50	1.50	2.00	2.00	2.00	2.00	2.00	3.00	
Wkg Cap $ Mil	31.1	45.7	37.0	31.7	37.2	57.5	54.6	53.6	57.4		



	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	13.41	4.77	3.68	4.01	3.39	3.96	10.51	7.95	6.68	E8.50	
DIV.	9.00	2.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
Wkg Cap $ Mil	-	-	24.4	15.7	12.0	11.5	15.6	20.6	19.9		

THE SPERRY CORPORATION

BUSINESS: This company, through its subsidiaries and divisions holds a leading position in engineering and production in the fields of electronics, gyroscopics, computing techniques, and servo-mechanisms applicable to both military and civilian needs. Other products include farm machinery, hydraulic equipment for aircraft, industrial and automotive industries, electrical apparatus, paper board box-making and gluing machinery, printing presses, automatic packaging, weighing, wrapping and labeling machinery, and special machinery.

OUTLOOK: On the basis of first 1953 half-year operating results, net earnings for the year, conservatively estimated at $7 a share, were at a record high, surpassing the $6.75 a share earned in 1952, the best previous year, and comparing with 1951 net of $5.36 a share. In the six months to June 30, last, shipments by the company totaled $244.7 million, exceeding those made in the corresponding months of the preceding year by a little more than $66 million. While the company does break down volume to show what portions of shipments represented defense business and how much represented such items as farm machinery and hydraulic equipment ,including power steering for automobiles, much of the larger 1953 first half volume was in government business with its comparatively low profit margin. Even so, net income for the period of close to $8 million, was equal to 3.3% of total shipments as compared to 3.7% in 1952 first half, and net income increased to $3.84 a share on the one class of stock outstanding, as against total net of $6.5 million, or $3.23 a share in the six months to June 30, 1952. The outlook for 1954 is for a duplication of last year's estimated showing, plus the benefits from the demise of EPT which is calculated to have taken at least $4 a share out of net income in 1953. Should operations hold up to expected levels this year, it is conceivable that 1954 net would approach $10 or better per share. Bolstering this view is the fact that unfilled orders at the close of 1953 approximated $551 million.

DIVIDENDS: In the last 16 years annual payments have never been less than $1.50 a share. In the six years including 1952, the rate was maintained at $2 a share and increased in 1953 to 75 cents a share quarterly, and since continued.

MARKET ACTION: Recent price of 54, compares with a 1953-54 price range of High—55⅝, Low—35¾. At current price the yield is 5.5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 60,145	$ 14,511	—$ 45,634
Receivables, Net	73,162	91,954	+ 18,792
Inventories	111,795	95,945	— 15,850
Other Current Assets	15,429	1,617	— 13,812
TOTAL CURRENT ASSETS	260,531	204,027	— 56,504
Net Property	7,831	32,092	+ 24,261
Investments	902	841	— 061
Other Assets	7,110	879	— 6,231
TOTAL ASSETS	$276,374	$237,839	—$ 38,535
LIABILITIES			
Notes Payable	$ 75,000	$ 36,000	—$ 39,000
Accounts Payable	17,517	26,802	+ 9,285
Reserve for Taxes, etc.	75,005	41,013	— 33,992
Accruals	70,221	42,734	— 27,487
TOTAL CURRENT LIABILITIES	237,743	146,549	— 91,194
Other Liabilities	2,220	3,311	+ 1,091
Reserves	7,250	....	— 7,250
Long Term Debt	......	19,400	+ 19,400
Common Stock	2,015	2,063	+ 048
Surplus	27,146	66,516	+ 39,370
TOTAL LIABILITIES	$276,374	$237,839	—$ 38,535
WORKING CAPITAL	$ 22,788	$ 57,478	+$ 34,690
CURRENT RATIO	1.1	1.4	+ .3

THE WESTERN PACIFIC RAILROAD CO.

AREA SERVED: Main tracks of Western Pacific traverses California, with terminal at San Francisco, Nevada and Utah where connection is made with the Denver & Rio Grande Western at Salt Lake City to form with the C. B. & Q., and other trunk lines a continuous transcontinental route between the West Coast and Chicago and St. Louis. Valuable connections are also had with Union Pacific, Southern Pacific and the Santa Fe.

OUTLOOK: Since reorganization, completed in 1945, Western Pacific, although benefiting to a slight extent from freight shipments as a result of the Korean situation in 1950-53, has expanded freight revenues and net earnings largely as a result of increased industrial activity and population growth throughout its territory. Within the last five years, operating revenues have expanded from $40.9 million in 1949, to a record high of $59.2 million in 1953, freight revenue in the latter year accounting for $54.9 million of the total. A feature of the road's history in the postwar years has been the carrying out of a broad improvement program, including complete dieselization of both freight and passenger service. The benefits from expenditures for these purposes is reflected in the road's ability, despite higher wage scales and other increased costs, to report for 1953 a transportation ratio of 28.1% and an operating ratio of 67.5%, in contrast to 35.0% and 79.6% respectively in 1949. Net earnings for 1953, after funds, amounted to $7.5 million, about double the 1949 showing, and equal to $8.11 a share on the 528,899 common shares outstanding, as compared with net of a little more than $6 million in 1952, or $6.68 a share. Earnings in the current year, allowing for a 10% decline in revenues, should be well in excess of dividend requirements on the common, the status of which will be further improved under the company's plan to issue $22.5 million in 5% debentures to redeem 225,000 shares of $5 participating preferred stock. As of Dec. 31, last, current assets, including $15.9 million cash exceeded current liabilities by $14.2 million.

DIVIDENDS: Payments on the common stock have been maintained since 1944, the current annual rate of $3 a share being distributed in each year since 1946.

MARKET ACTION: Recent price of 56, compares with a 1953-54 price range of High—67⅞, Low—46½. At current price the yield is 5.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1946	1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 19,331	$ 16,805	—$ 2,526
Receivables, Net	6,867	4,671	— 2,196
Materials & Supplies	3,691	5,236	+ 1,545
Other Current Assets	4,137	6,497	+ 2,360
TOTAL CURRENT ASSETS	34,026	33,209	— 817
Road Equipment	153,246	168,763	+ 15,517
Acquisition Adj., etc.	(cr)55,180	(cr)42,389	— 12,791
Accrued Deprec. & Amort.	(cr)35,770	(cr)34,219	— 1,551
Invest. & Cap. Funds, etc.	30,068	34,244	+ 4,176
Other Assets	1,453	2,713	+ 1,260
TOTAL ASSETS	$127,843	$162,321	+$ 34,478
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 9,559	$ 13,617	+$ 4,058
Other Liabilities	038	068	+ 030
Unadjusted Credits	3,264	3,782	+ 518
Long Term Debt	25,684	33,745	+ 8,061
Preferred Stock	31,850	31,850	......
Common Stock	23,035	29,061	+ 6,026
Surplus	34,413	50,198	+ 15,785
TOTAL LIABILITIES	$127,843	$162,321	+$ 34,478
WORKING CAPITAL	$ 24,467	$ 19,592	—$ 4,875
CURRENT RATIO	3.5	2.4	— 1.1

New Investment Audit of......
ALLIED CHEMICAL

By PHILLIP DOBBS

Allied Chemical & Dye Corporation, in common with other great American chemical companies, has been growing for well over a quarter of a century. Like its contemporaries in this field, its potentialities have been greatly expanded during the war and postwar years, particularly throughout the latter period in which the company's growth has been exceedingly swift. Not only has there been a tremendous increase in its sales volume from year to year, but a broadening of operations through the building of new plants and the modernization of older facilities. Pronounced activity of the company has been research, leading to the widening of usefulness of older products and the development of new ones. Some of those in the latter group will be referred to later on in this article.

Through its widely diversified products, the company's operations cover a very broad field in the chemical industry, and yet, at the same time, many of its products fall into rather special categories. Among the most important of its products are: ammonia and other nitrogen products; alkalies and chlorine; acids and other heavy industrial chemicals; coke, coal and by-products; roofing and building materials; dyes and coal tars intermediates; insecticides, laboratory and reagent chemicals and road materials.

Vast Sums for Expansion

To keep pace with the growth of all industry and the advances in technology, especially since 1946, the first full year after the end of World War II, Allied Chemical, to the end of 1953, has spent in expanding facilities and constructing new plants a total of $448.6 million. In 1953, alone, expenditures for these purposes totaled $135.2 million, about 85% of which went for expansion and new projects.

It would be difficult to single out any one of these developments as being more important than the others. For example, the company's Solvay Process Division's new projects started last year included construction of facilities to expand capacity for potassium carbonate used in the manufacture of high quality glass, textile printing and numerous other processes. Solvay also got work under way on a new plant for chlorinating methane to produce a variety of basic solvents having many applications such as in the manufacture of paint removers, in the production of synthetic rubber, and as a base for other chemicals. Both of these plants are scheduled to begin operations within the next few months. During 1953, this division completed most of the work under way at the beginning of the year, including expansion of soda ash capacity at the Baton Rouge plant, and the new mercury cell chlorine and caustic soda facilities at the Syracuse and Moundsville plants.

These additions and the rehabilitation of older facilities of Solvay Process should broaden sales and effect considerable operating economies. Much the same thing can be said about Allied's Semet-Solvay Division, an important producer of coke and by-products, which only last year started up its polyethylene plant at Buffalo, N. Y., employing a process of cracking low cost fuel oil to obtain ethylene of high purity. Polyethylene is one of the fastest growing products of the chemical industry, used in the manufacture of squeeze bottles, refrigerator containers, radar equipment, insulating materials, pails that do not dent or corrode, and many other items to which there seems to be no end. Output of the new Semet-Solvay plant is being sold in the form of a high melting point wax, which is expected to find considerable use in the manufacture of waxed paper and cartons, wax pastes and polishes, and as an additive in printing inks.

At Allied's Central Research Laboratory which developed the processes now in use, work is continuing on modifications and additions to the new plant to enable production of polyethylene plastic. By the method of fuel oil cracking, Semet also obtains synthetic benzene for use in Allied Chemical's National Aniline Division's dye plant, propylene for use in Barrett Division's new phenol plant, and butadiene for use in a new product now under development by National Aniline.

Last year was also one of great progress for the company's Nitrogen Division. Among the achievements there were the completion of a number of projects, including expansion of ammonia capacity at two plants with installations of facilities permitting a switch from coke to natural gas as raw material for ammonia production. Substantial savings in raw material cost as a result of the change over are being realized. In addition ammonia production has been increased, making available greater quantities of nitrogen materials than originally forecast, without additional capital expenditure.

Comparative Balance Sheet Items

ASSETS	December 31 1944	1953 (000 omitted)	Change
Cash	$ 60,595	$ 24,630	—$ 35,965
Marketable Securities	68,203	170,176	+ 101,973
Receivables, Net	18,949	48,289	+ 29,340
Inventories	27,621	60,129	+ 32,508
TOTAL CURRENT ASSETS	175,368	303,224	+ 127,856
Net Property	65,911	368,696	+ 302,785
Intangibles	21,306	21,306	....
Investments	27,785	1,064	— 26,721
Other Assets	3,803	8,268	+ 4,465
TOTAL ASSETS	$294,173	$702,558	+$408,385
LIABILITIES			
Debt Payable	....	$ 50,000	+$ 50,000
Accounts Payable	$ 7,985	23,931	+ 15,946
Taxes Accrued	26,702	47,546	+ 20,844
Other Accruals	498	2,574	+ 2,076
TOTAL CURRENT LIABILITIES	35,185	124,051	+ 88,866
Reserves	67,684	34,295	— 33,389
Long Term Debt	....	200,000	+ 200,000
Common Stock	12,006	44,288	+ 32,282
Surplus	179,298	299,924	+ 120,626
TOTAL LIABILITIES	$294,173	$702,558	+$408,385
WORKING CAPITAL	$140,183	$179,173	+$ 38,990
CURRENT RATIO	5.0	2.4	— 2.6

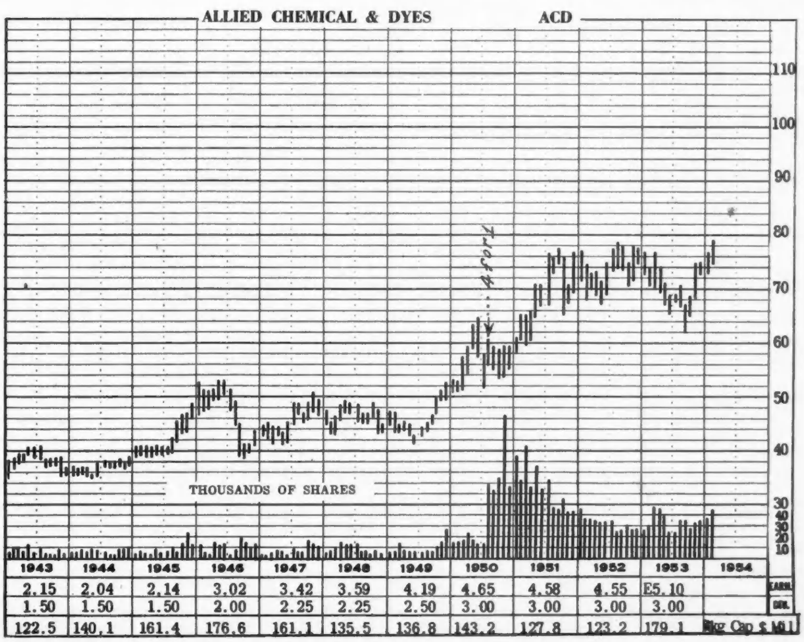
Some Newer Developments

Within a short time, possibly during the next two or three months, the Nitrogen Division will have its new ethylene oxide-glycol plant in operation. This new property, employing a new direct oxidation process, will produce ethylene glycol for use principally as a permanent type antifreeze, but which is finding a growing market in various chemical processes. The outlook for Nitrogen's product in this field is especially promising considering that its new process produces glycol of high purity that makes it particularly desirable for use as an intermediate for various other chemicals.

Possibly by mid-1954, the division will have its new ammonia-urea plant in operation which will be about simultaneously with the completion of installation of facilities at another of its manufacturing centers to produce urea-formaldehyde concentrate, a new material having special advantages for the production of urea-formaldehyde plastics. The division also has made substantial strides in the fertilizer field, producing a high-analysis mixed fertilizer containing 12% each of nitrogen, phosphoric acid, and potash, the distribution of which has been extended into new areas. This product is the first of its kind commercially available which contains the three essential plant foods chemically blended rather than physically mixed.

The National Aniline Division of Allied also continues to expand and improve its line of dyes, industrial intermediates, pharmaceuticals, detergents and other chemicals. Outstanding in the growth of this division is a new plant, scheduled to begin operations this year, to produce Allied Chemical's nylon-type synthetic fiber along with a nearby plant at Hopewell, to make intermediates for the fiber. When in full operation the fiber plant will have a capacity of approximately 20 million pounds a year, while the new Hopewell plant will also be turning out adipic acid, an important intermediate in the manufacture of plastics, synthetic rubber and lubricants for jet engines.

Keeping step with other members of the Allied family, the Barret Division in 1953 substantially enlarged the scope of its activities and increased productive capacity through progress on its construction program and acquisitions. In the latter activity, it took into its fold two plants manufacturing industrial adhesives and glues, resins for use in production of paints and other protective coatings, and a broad line of molding resins used by other manufacturers



to make a wide variety of plastic products. Barrett also put into operation a new roofing plant to serve the expanding southern market. The division has long been a major factor in the sale of prepared roofing and related products and has further extended its line by acquisition of two plants in this country and one in Canada producing insulating board for which there is a growing demand. Barrett's other developments have been opening a new plant for the production of phthalic anhydride for which there is an increasing demand for use largely in resins for paints and other protective coatings, and the starting up of a new, low-cost process for the production of phenol, with acetone as a co-product.

Allied's General Chemical Division, producing more than 1,000 products ranging from industrial acids and other heavy chemicals to high purity laboratory reagents and agricultural insecticides, is also expanding productive capacity to meet the steadily growing demand for its basic products, and continuing the development of new products Last year was marked by the division's getting facilities under way for the production of sodium metasilicate used in special industrial detergents. This is a new product for General Chemical and adds one more to its already long list. At about the same time, it completed facilities for a new fluorine compound for use in special type plastics highly resistant to corrosion and stable over a wide temperature range.

One of General Chemical's biggest of its big products is sufuric acid, the end uses of which are fertilizer manufacturing, petroleum refining, steel pickling, textile dyeing and finishing, paint pigments and rayon and cellophane production. Expansion of sulfuric acid capacity has not been neglected. Two new plants with an annual capacity of 100,000 net tons, were largely completed during 1953. Late this year, the division is expected to attain still greater production from a Detroit plant which had already been expanded in 1953. In addition to these programs, it has been modernizing sulfuric acid facilities at its Cleveland plant to obtain greater efficiency and increased output.

Research Activities Stepped-Up

Meanwhile, Allied continues to put particular stress on the importance of research and development activities in new expanding fields. Last year alone it spent $14.5 million for research and development with much of its work being in various phases of the rapidly expanding fields of polymers, resins, plastics and synthetic fibers. New laboratories were opened by the several divisions to facilitate research in their respective fields of interest in petrochemicals. At the National Aniline's Buffalo plant, a new laboratory begun last year, will be devoted largely to development and application of new dyestuffs and other synthetic organic chemicals. At the General Chemical Division's new research facilities work will be intensified on industrial chemicals, insecticides, fluorine compounds and other related items. Included in these efforts is a constant search for low-cost processes for the basic chemicals required as raw materials in the various fields.

It would take something of a seer to be able to foretell the possibilities that will emanate from the research laboratories. For the industry as a whole it has been estimated that 40% of 1951 chemical sales were in products that did not exist 15 years earlier. In 1952, sales of agricultural chemicals that were not out of the development stage at the beginning of the decade reached $90 million. Some measure of the potentials of Allied Chemical & Dye, as one of the largest companies in the chemical industry, can be had from its 10-year record to the end of 1953. Within that period sales and operating revenues have increased from $273.8 million for 1944, to a record high for 1953 of $545.5 million, this latter showing exceeding 1952 sales and operating revenues by 11.2%, or slightly more than $55 million. As in previous years, gross income was augmented by profits on securities, amounting in 1953, to a little more than a quarter of a million dollars, and by other receipts, including interest and dividends, of $5.7 million, to bring total gross income to $551.5 million, as compared to $496.5 million for the previous year.

The importance of the source of the greater part of the company's dividend receipts merits special attention because of the still greater diversification through its investments in leading companies operating in fields outside the chemical industry proper. Among Allied's holdings are 208,309 common shares of Owens-Illinois Glass, 142,300 common shares of U. S. Steel, 55,225 common shares of Libbey-Owens-Ford Glass, 257,140 common shares of Air Reduction, 43,502 shares of *(Please turn to page 58)*

Long Term Operating and Earnings Record

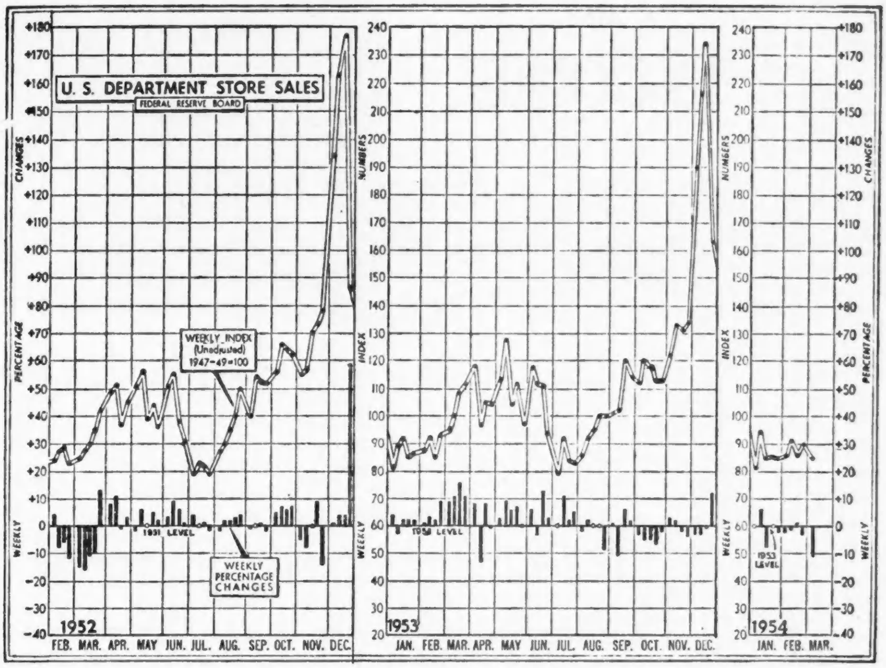
	Sales & Operating Revenue (Millions)	Gross Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1953	$545.5	$ 83.1	15.2%	$37.2	$45.1	8.2%	$5.10	$3.00	13.1%	79⅞-62[1]
1952	490.1	74.6	15.2	40.1	40.3	8.2	4.55	3.00	12.3	78⅜-67¼
1951	502.0	101.8	20.2	66.1	40.5	8.0	4.58	3.00	13.0	77⅞-58
1950	408.0	69.6	17.0	32.8	41.2	10.1	4.65	3.00	13.8	64⅛-50⅛
1949	363.7	56.2	15.4	22.8	37.1	10.2	4.19	2.50	13.1	52½-41¼
1948	387.7	50.2	12.9	22.5	31.7	8.1	3.58	2.25	11.8	49½-42¾
1947	365.9	48.9	13.4	22.4	30.3	8.2	3.42	2.25	11.8	50½-41
1946	280.4	38.6	13.7	16.2	26.7	9.5	3.01	2.00	10.8	53 -38½
1945	267.5	28.4	10.6	12.0	18.9	6.6	2.13	1.50	9.6	48½-38¼
1944	273.8	35.2	12.8	20.6	18.0	6.1	2.03	1.50	9.4	39¼-35¼
10 Year Average 1944-1953	$388.4	$ 58.6	14.6%	$29.2	$32.9	8.3%	$3.72	$2.40	11.8%	79⅞-35¼

[1]—To March 17, 1954.

. . . Strong and Weak Spots in . . .

DEPARTMENT STORE STOCKS

By GEORGE L. MERTON



Within the last few years department store stocks have fallen from their previously held high positions as relatively good earners and stable dividend paying issues. This trend reflects the investor's recognition of changing customs and conditions that have posed problems for the department stores, some of which require time, more or less, to resolve.

Outstanding among these problems are the squeeze on profit margins because of higher operating costs, including wage increases and greater taxes; population shifts from urban to suburban areas, and increased competition from specialty stores and an increasing number of discount houses.

Undoubtedly, these two types of retail outlets have cut into department store sales, especially in recent years when consumer buying was heavily concentrated in automobiles and the items handled by the specialty and discount establishments such as radios, TV sets, washing machines, refrigerators and other durables that are also carried by department stores. This is supported by the fact that department stores failed to hold their own in getting a larger share of the consumer dollar spent in retail outlets since World War II. Statistics show department stores in 1945 as getting about 8.3% of total retail sales; that this share dropped in 1948 to 7.2%, and in 1953 had declined to 6.3%. These percentages are on a national basis and do not accurately reflect the experience of some of the bigger units whose sales declines in relation to grand total were smaller, but nevertheless down from earlier years.

It is generally recognized that people will shop in a department store for hard goods, ranging from TV sets and refrigerators to electric kitchen clocks, decide on the type or model they intend to purchase and then place their order with one of the cut-rate houses. So bad has this condition become that Carson Pirie Scott & Co., the Chicago department store, has taken steps to combat it by opening a "warehouse store." This constitutes about 33,000 square feet of warehouse space that has been stocked with such merchandise as major electric appliances, including radio and TV sets, furniture, floor covering, a wide variety of garden accessories, work clothes, inexpensive casual wear for women and misses, and children's play clothes.

This is a down-to-earth operation, sans frills of any kind. The emphasis is on price. Purchasers will have to do their own hauling of merchandise, although the store will provide for delivery for which the customer pays the charge. The plan has ramifications. It will provide an outlet for the main store's discontinued goods, damaged items, floor samples, and for that matter goods on consignment from manufacturers wanting to dispose of discontinued models or to reduce inventories. Other big stores are likely to adopt the same or a modified plan to meet competition from the discount houses.

Another contributor to the situation is the changing character of the population's ways of living and its shopping habits. There was a time when the big city stores had the entire metropolitan areas upon which to draw for their trade. The cities then were as much residential as they were commercial. Few city residents patronized local or neighborhood stores for anything except the everyday necessities. It was an easy matter to shop the big department stores that offered pleasant surroundings and such a variety of wares. Suburbanites located in what were then outlying districts lacking anything like modern stores, except for the (*Please turn to page* 48)

FOR PROFIT AND INCOME

Strong

Despite some exceptions, the stock groups reflecting strongest demand are mainly those which have been doing so pretty much throughout the phase of advance begun last September. They are principally aircrafts, amusements, the aluminum stocks, business machines, construction, containers, dairy products, drugs and toilet articles, finance companies, food brands, machine tools, paper, public utilities, petroleum, soft drinks, sulphur and tires.

Laggards

Among the most laggard stock groups, well down from 1953 or earlier highs, are agricultural implements, airlines, auto accessories, automobiles (especially all listed issues other than General Motors), coal mining, coppers (despite some recent rally), rail equipments, rails, sugar, textiles, tobaccos and variety stores.

Contrast

Of course, this is emphatically a market of stocks. You do not buy, sell or hold any "average" or any stock group. In the recently strong business-machines group, for instance, note the contrast between Addressograph-Multigraph and Underwood Corp. The former recently sold at a new all-time high of 67¼. The latter recently sagged to 26, which is the lowest level since 1940, about a seventh of its 1929 high, little over a fourth of its 1937 high, less than a third of its 1946 high and less than half of its post-1949 high of 58 reached in 1951. The trouble here is a major shrinkage in earnings—from $5 a share in 1952 to $1.13 a share recently reported for 1953. The earnings were the lowest since the "big depression," comparing with the record $10.11 a share in 1929 and best postwar figure of $8.31 in 1947. We have noted earlier that this is one of the minority of once favored Good-Name stocks which has been making lower highs on every bull market since 1929. The company's main business is in typewriters, accounting and adding machines. Maybe it can make something of a comeback with its newly developed electronic and punch-card accounting machines. Time will tell. The typewriter business is not one of much opportunity. Among the better stocks in the business-machines field, aside from Addressograph, are the high-priced International Business Machines, the medium-priced National Cash Register and the lower-priced Pitney-Bowes.

Skelly

The recent additional sharp run-up in the shares of Skelly Oil stemmed from reports of a new oil discovery by this company in Texas, and one which reputedly might prove "rich." Trouble is, nobody can know for sure until more drilling is done. When and if it becomes sure, the cream will already be out of the stock. Despite a glut of gasoline, crude oil is still "black gold" and buried treasure. Relative to its size, which is fairly small as oil companies go, Skelly has a lot of oil (more output than its refineries require) and also a good natural gas position. That is why it is selling at a premium price, now 47, on a regular $1.50 dividend rate,

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Babcock & Wilcox	Year Dec. 31	$8.14	$6.95
Sharon Steel Corp.	Year Dec. 31	6.10	4.65
Crown Cork & Seal	Year Dec. 31	.81	.26
Hamilton Watch Co.	Year Dec. 31	3.59	1.00
Newport News Shipbldg. & D. D.	Year Dec. 31	6.52	4.92
Holland Furnace	Quar. Dec. 31	.63	.44
Skelly Oil Co.	Year Dec. 31	5.44	4.87
American Natural Gas Co.	Year Dec. 31	3.48	2.34
Mack Trucks, Inc.	Year Dec. 31	1.70	.70
Beech-Nut Packing Co.	Year Dec. 31	2.42	1.90

yielding little over 3%. Its 1953 net was $5.44 a share, against 1952's $4.88. Good earnings, low dividend, probably good long-term potentials.

Shorts

As of March 15 the short interest in Big Board stocks had risen to 2,792,457 shares, up 69,513 shares as compared with the mid-February report, and the highest level since May 4, 1932. Short-sellers are mostly professional traders. They are assumed to be smarter than non-professionals. Perhaps they are—but it has never been possible to get consistently reliable clues to coming changes in market trend by study of variations in the short position. Professional or not, bears can be wrong for months on end. So can bulls. Covering by shorts can cushion a market decline to some extent, but the importance of this potential support can easily be exaggerated. The short position cited is a good deal less than two days trading volume at the recent rate. A more important cushion on market declines is the buying of institutions and bargain-minded individual investors, much of it done on what amounts to a dollar-averaging basis. The biggest short position and the largest increase from February 15 to March 15 in any individual stock was in Chrysler. Other "favorites" of the short-sellers, as of March 15, include American Woolen, Baltimore & Ohio, Carrier, Celanese, Dow Chemical, Goodrich, Martin, Missouri Kansas Texas, Nash Kelvinator, New York Central, Northern Pacific, Republic Steel, and Studebaker. In some instances, a short position reflects opinion, right or wrong, that a company's prospects are adverse. In others, it has nothing to do with company prospects or investment quality. A sharp rise in a stock will often attract short sellers. Examples are Carrier, Goodrich, General Electric, duPont, General Dynamics, Minnesota Mining & Manufacturing, and Westinghouse Electric.

Growth

Reflecting a higher marriage and birth rate beginning during World War II and supported by subsequent years of prosperity, we are having a population boom. The marriage rate reached its peak in 1948 and will be lower perhaps into the early 1960's because of fewer people of typical marriage age due to fewer births in the mostly depressed or less prosperous years of the decade 1930-1940. However, there is a tendency toward marriage at a lower average age than formerly and also toward larger numbers of children per family. Births set a new record in 1953 at nearly 4,000,000. Government studies indicate a total population growth of about 7% for the six years 1955-1960, but a rise about four times that large in children of the age-group 10 to 14, and about three times that large in the age group 15 to 19. This is a plus factor of some importance for potential sales of companies whose products are used in any substantial degree by children. A few examples are American Chicle and Wrigley (chewing gum), Coca-Cola, leader in the soft-drink field; American Seating (biggest maker of desks for schools, etc.); such dairy-products companies as National, Borden and Beatrice Foods; Lionel Corp. (biggest maker of toy trains, etc.); General Foods, whose broad line includes cereals, cocoa, dessert preparations, etc.; such leading cracker and cookie makers as National Biscuit, Sunshine Biscuits and United Biscuit; and Gillette Company, mainly via increased use of home permanents or related hair-do preparations by girls. American Seating and Lionel are speculative stocks; Gillette of good medium grade; the others of investment grade.

Coca-Cola

Among the stocks cited, Coca-Cola, at 125 in a postwar range of 200 (in 1946) and 100¼ (in 1951) shapes up as a promising investment for substantial appreciation on a longer-term basis, with an apparently good chance for some gain in 1954. Sales are trending up. Squeezed down, by higher costs and unchanged selling prices, from a postwar peak of $8.76 a share in 1949 to $6.11 in 1951, profits are improving, having risen to $6.38 a share in 1952 and $6.60 last year. Sales rose in such business-recession years as 1949 and 1938, and profits gained via lower costs. On the other hand, the company is protected against any major future rise in costs by escalator provision in its selling contracts. Finally, the nickel "coke" is gradually on its way out at the retail end probably this will lead to higher selling prices by the company in due time. Allowing for EPT relief, higher sales and more favorable cost factors, 1954 earnings could rise to the vicinity of $7.50 to $8 a share. Finances are strong, dividend policy liberal. Payments ($4 regular) have totalled $5 in recent years, and may well be $6, as in 1949, this year. On a longer-term basis, profits of $10 to $12 a share, and dividends of $7 to $8, are conceivable between now and 1960. Coca-Cola may again become a $200 stock, especially since it is among the best-qualified issues for more or less steady institutional buying.

Yields

Despite some increase in average dividend payments, the market rise from the low of last September has cut the average yield on representative industrial stocks by nearly 13% from around 6.3% to about 5.5%. Over the same period, however, average bond yields have fallen over 14%. In these terms, stock yield exceeded high-grade corporate bond yields by about 92% last September whereas at this writing the differential is about 95%. On the basis of

(*Please turn to page* 56)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

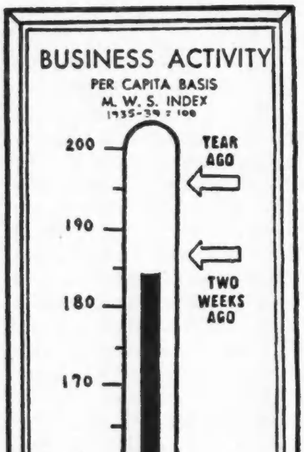
		1953	1952
Underwood Corp.	Year Dec. 31	$1.13	$5.00
Hudson Bay Mining & Smelt.	Year Dec. 31	4.15	5.37
Studebaker Corp.	Year Dec. 31	1.13	6.05
Howe Sound Co.	Year Dec. 31	.62	1.69
Transue & Williams Stl. Forg.	Year Dec. 31	2.79	3.74
American Smelt. & Refining	Year Dec. 31	2.87	5.30
Jacob Ruppert	Year Dec. 31	1.43	2.72
Park & Tilford Dist. Corp.	Year Dec. 31	.34	1.28
Wyandotte Worsted Co.	Year Nov. 30	.46	1.55
American News Co.	Quar. Dec. 31	1.25	2.24

The Business Analyst

What's Ahead for Business?

By E. K. A.

The continued downtrend in industrial activity during March, reports of contraseasonal increases in unemployment, and further slowdown in retail trade have left their mark on sentiment among business men and investors. The over-optimism that characterized the first quarter of this year is tending to give way to over-optimism. Both are equally dangerous.



Admittedly, the business outlook for the next few months is not favorable. But, without clutching at straws, it can honestly be said that there are definitely favorable factors in the situation that will help offset the unfavorable factors. At this time, when the hoped for spring recovery in business is showing signs of being a somewhat feeble affair, a proper perspective is essential.

One of the outstanding "props" of our economy, capital expenditures for new plant and equipment, is holding up well. The SEC and Commerce Department estimate such spending for 1954 at $27.2 billion, second only to the all-time high of $28.3 billion last year. The indicated four percent decline is not especially significant since it is within the error of estimate.

There never has been a serious business recession when capital expenditures were as well maintained as indicated in the official estimate for 1954. In fact, the decline of 10 percent or slightly more in industrial activity since last Spring is greater than appears warranted, on the basis of the historical relationship between the two series, by the estimated contraction in plant and equipment spending.

There never has been a serious business recession when construction was well maintained. There have been numerous dire predictions of a sharp decline in residential building this year, offset only partially by stepped-up commercial and public construction, but the predictions and the facts so far are at odds. February building permits for 215 cities totaled $341.7 million versus $336.4 million in February, 1953.

The long decline in farm products prices appears to have been halted, through government support programs and vigorous government efforts to whittle down the large surpluses, and farm income seems to have been stabilized at about 1953 levels. With Washington in there pitching, there is no prospect of an acute decline in farm income such as frequently accompanied former general business setbacks and touched off serious repercussions in non-farm areas.

The inventory liquidation under way since early last Fall has been accompanied by a moderate amount of quiet price cutting, more undoubtedly than recorded in official price data. But, the amount of distress merchandise coming on the markets is small, particularly in view of the substantial increase in the number of business failures. Although the general commodity price level is recognizably abnormally high, there is faith in the approximate stability of prices with the result that there is little or no tendency to rush to liquidate—at whatever the market will bring—before "the bottom drops out."

During periods of inventory liquidation in the past, panicky selling often became fairly general after business activity and sales had slipped off as much as they now have slipped from last year's peaks. Sharp breaks in prices put on the finishing touches to the generation of downward business spiraling, feeding upon itself.

One of the most hopeful factors in the current situation is the virtual absence of panicky sentiment anywhere. Strength in securities and stability in the general commodity price level (even though partially artificially induced) have been reassuring to business men. The above are cited as examples of stabilizing factors at the present time but they must be viewed against a background of considerable doubt over nearby trends.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Borrowers from the banks are going to pay less for money as the result of the recent cut in the prime lending rate—to 3%, from the 3¼% rate that had been charged since last April. The reduction will not be confined to prime borrowers only and those of lesser credit standing will undoubtedly receive a proportionate reduction. Meanwhile, the latest move in the direction of lower money costs had an immediate effect on other rates; bank charges on brokers loans were reduced by ¼ of 1%, finance companies again lowered the interest they will pay on their offerings of commercial paper and ⅜ of 1% was lopped off the cost of bankers' acceptances, paper which originates through foreign trade financing operations. This downward trend in bank charges, further reflection of the decline in interest rates, has been brought about by two forces, namely Federal Reserve policy which has supplied the banks with ample funds, and the recession in business which has reduced the demand for loans. Illustration of the latter can be seen in the trend of commercial, industrial and agricultural loans of the weekly reporting member banks. In the past six months these advances have fallen by $482 million, a sharp contrast to the rise of $1,904 million which they enjoyed in the one-half year ending March 11, 1953.

The latest round of reductions in bank charges was a belated recognition of the "facts of life" in the money market and did not have much general effect on bond prices, although Treasuries were in temporary demand immediately after the news became known. For the two weeks ending March 19 the longest term Treasuries improved while shorter obligations marked time. Thus the 3¼s due in 1984 gained ½ point to close at 109½, the Victory 2½s of 1972-1967 were unchanged and the 2¼s due in 8 years lost ⅛ point. Corporate bonds have apparently reached a zone of stability for the time being with the yield on an average of best-graded corporates unchanged since March 12 at 2.85%. Tax-exempts, however, have been meeting some selling which is hardly surprising in view of the increase in the visible supply for the next 30 days, to $355 mllion, the highest since June, 1953. This figure includes only those bonds for which sales dates have been set and actually an additional $459 million or so, of tax-exempts are on tap or will be offered within the next month, including some $208 million not yet on the calendar plus $251 million currently being offered from dealers' inventories. The supply side of these bonds is thus rather sizeable and this can prevent any important up move in tax-exempts for the near future.

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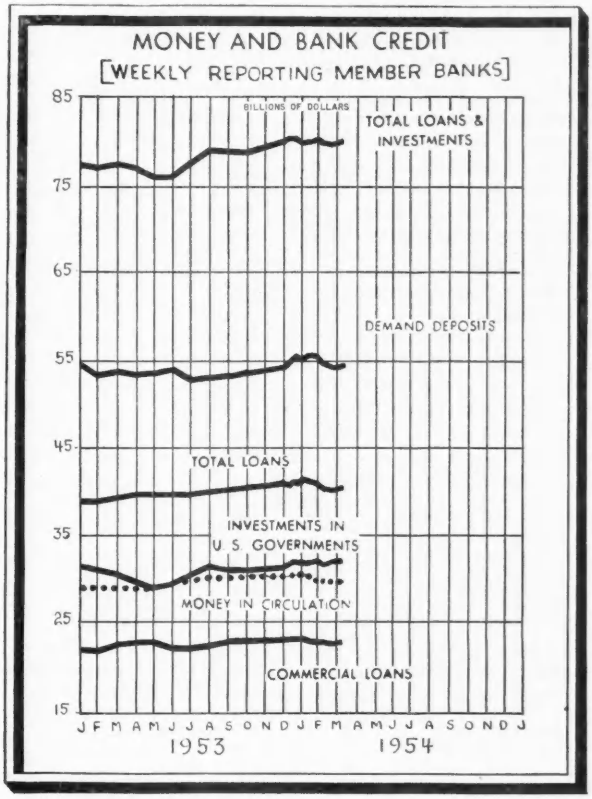
TRADE—Retail sales thus far in March have been running below year-ago levels, with this year's later Easter a factor in the poor comparison. Dun & Bradstreet estimates that sales for the week ending Wednesday, March 17, were 2% under the corresponding 1953 week. Consumer demand for clothing was holding up well, but houshold goods were getting a mixed reception, with the drain on pocketbooks occasioned by income tax payments, acting to restrain purchases that required large outlays.



INDUSTRY—Industrial output failed to show the usual seasonal pick-up in February and the Federal Reserve's index of output declined further to 123% of the 1949-1949 average, from 125 in January and 134 a year ago. Manufacturers of nondurables and producers of minerals did better thon other sectors with their February output unchanged from the previous month.

Industrial reports thus far in March show few signs of any upturn and the MWS Business Activity Index fell to 184.9 in the week ending March 13 against an average of 187.3 for the month of February. Special weakness this month was registered in output of steel ingots and in paperboard production.

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COMMODITIES—The more actively traded commodities have firmed of late and the MWS index of spot prices for 14 raw materials rose 3.1 points in the two weeks ending March 19 to close at 152.1. The period saw higher prices for grains, lead, zinc, tin, cotton, silk, wool tops and rubber while raw sugar was somewhat lower.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Jan.	3.4	4.1	4.0	1.6
Cumulative from mid-1940	Jan.	537.2	533.8	484.7	13.8
FEDERAL GROSS DEBT—$b	Mar. 17	274.7	274.7	265.2	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Mar. 10	54.8	53.9	54.8	26.1
Currency in Circulation	Mar. 17	29.8	29.9	29.7	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Jan.	59.9	54.0	50.0	16.1
344 Other Centers—$b	Jan.	89.6	91.5	91.4	29.0
PERSONAL INCOME—$b (cd2)	Jan.	283	285	281	102
Salaries and Wages	Jan.	191	193	189	66
Proprietors' Incomes	Jan.	50	50	52	23
Interest and Dividends	Jan.	23	23	22	10
Transfer Payments	Jan.	15	14	14	3
(INCOME FROM AGRICULTURE)	Jan.	17	17	19	10
POPULATION—m (e) (cb)	Jan.	161.1	160.9	158.4	133.8
Non-Institutional, Age 14 & Over	Jan.	115.7	115.6	114.0	101.8
Civilian Labor Force	Jan.	62.1	62.6	62.7	55.6
unemployed	Jan.	2.4	1.9	1.9	3.8
Employed	Jan.	59.7	60.7	60.8	51.8
In Agriculture	Jan.	5.3	5.4	5.8	8.0
Non-Farm	Jan.	54.4	55.3	55.0	43.2
At Work	Jan.	57.8	59.1	58.2	43.8
Weekly Hours	Jan.	41.0	41.6	41.4	42.0
Man-Hours Weekly—b	Jan.	2.37	2.46	2.41	1.82
EMPLOYEES, Non-Farm—m (1b)	Jan.	47.7	49.7	48.4	37.5
Government	Jan.	6.7	7.0	6.7	4.8
Factory	Jan.	12.7	13.1	13.6	11.7
Weekly Hours	Jan.	39.4	40.2	41.0	40.4
Hourly Wage (cents)	Jan.	180.0	179.8	174.0	77.3
Weekly Wage ($)	Jan.	70.92	71.96	71.34	21.33
PRICES—Wholesale (lb2)	Mar. 16	110.6	110.6	110.0	66.9
Retail (cd)	Dec.	209.1	208.9	209.6	116.2
COST OF LIVING (lb2)	Jan.	115.2	114.9	113.9	65.9
Food	Jan.	113.1	112.3	113.1	64.9
Clothing	Jan.	104.9	105.3	104.6	59.5
Rent	Jan.	127.8	127.6	121.1	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Jan.	13.7	13.9	14.1	4.7
Durable Goods	Jan.	4.5	4.6	5.0	1.1
Non-Durable Goods	Jan.	9.2	9.3	9.1	3.6
Dep't Store Sales (mrb)	Jan.	0.82	0.85	0.84	0.34
Consumer Credit, End Mo. (rb)	Jan.	28.1	28.9	25.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Jan.	20.2	22.0	24.5	14.6
Durable Goods	Jan.	8.0	9.6	12.5	7.1
Non-Durable Goods	Jan.	12.2	12.5	12.1	7.5
Shipments—$b (cd)—Total**	Jan.	23.7	24.1	24.5	8.3
Durable Goods	Jan.	11.4	11.6	12.5	4.1
Non-Durable Goods	Jan.	12.3	12.5	12.0	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	Jan.	80.7	81.1	77.1	28.6
Manufacturers'	Jan.	46.4	46.7	44.3	16.4
Wholesalers'	Jan.	11.8	11.7	11.3	4.1
Retailers'	Jan.	22.6	22.7	21.5	8.1
Dept. Store Stocks (mrb)	Jan.	2.4	2.4	2.5	1.1
BUSINESS ACTIVITY—1—pc	Mar. 13	184.9	185.5	197.6	141.8
(M. W. S.)—1—np	Mar. 13	228.9	229.6	238.9	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 39)

The Bureau of Labor Statistics index of prices for 22 sensitive commodities has followed a trend similar to that of the MWS index, rising 2.7% in the period under review. The metals component of this index gained 6.1% in the two weeks ending March 19 while fats and oils were up 4.4%.

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NEW CONSTRUCTION ACTIVITY continues at high levels and amounted to $2,317 million in February, a record for the month. Although outlays were down from January's total of $2,428 million, the decline was less than seasonal and expenditures on a seasonally adjusted basis were at an annual rate of well over $36 billion. This compares with actual spending for construction of $34.7 billion in all of 1953. However, there may be some slackening of construction activity in coming months as heavy construction contracts are currently running under year-ago levels, according to the compilations of Engineering News Record.

* * *

Manufacturers' shipments of **PASSENGER TIRES** picked up sharply in January, to 5,985,913 for the month, from 4,687,671 tires in December, 1953, according to the report of the Rubber Manufacturers Association. One factor in the jump is the tax, based on year-end inventories, which is imposed on dealers in some states and this causes them to defer taking delivery until January. Production of passenger tires came to 5,251,403 in January, a 2.9% drop from the previous month. With shipments ahead of output, inventories in the hands of manufacturers fell 5.9% to 12,279,042 tires but were ahead of the 11,287,880 tires on hand a year ago.

* * *

BUSINESS FAILURES were up again in February and 926 firms had to shut their doors, the highest for any month in the post-war period. Dun's Failure Index, which is seasonally adjusted, rose to 41 for the month, from 37 in January and 30 a year ago. The **LIABILITIES** of failing firms were also sharply higher at $47.8 million, which was some 75% above a year ago the largest volume for any month in over 20 years. Of course, the number and size of firms has also increased substantially in the past two decades. In the first two months of this year, liabilities of failing firms came to $77.4 million, or more than 50% ahead of the corresponding 1953 period. Liabilities in mining, manufacturing and commercial services had the biggest year-to-year rise

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Feb.	123	125	134	93
Mining	Feb.	114	114	116	87
Durable Goods Mfr.	Feb.	137	140	135	99
Non-Durable Goods Mfr.	Feb.	112	112	118	89
CARLOADINGS—t—Total	Mar. 13	610	591	700	933
Misc. Freight	Mar.13	332	326	384	379
Mdse. L. C. L.	Mar. 13	65	64	71	66
Grain	Mar. 13	44	41	42	43
ELEC. POWER Output (Kw.H.) m	Mar. 13	8,519	8,586	8,138	3,266
SOFT COAL, Prod. (st) m	Mar. 13	6.9	6.3	8.6	10.8
Cumulative from Jan. 1	Mar. 13	76.4	69.5	90.8	44.6
Stocks, End Mo.	Jan.	75.7	80.6	73.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 13	6.5	6.4	6.5	4.1
Gasoline Stocks	Mar. 13	180	179	161	86
Fuel Oil Stocks	Mar. 13	46	46	42	94
Heating Oil Stocks	Mar. 13	66	68	63	55
LUMBER, Prod.—(bd. ft.) m	Mar. 13	248	246	258	632
Stocks, End Mo. (bd. ft.) b	Jan.	9.1	9.0	8.2	7.9
STEEL INGOT PROD. (st) m	Feb.	7.1	8.0	8.9	7.0
Cumulative from Jan. 1	Feb.	15.0	8.0	18.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Mar. 18	215	246	200	94
Cumulative from Jan. 1	Mar. 18	2,202	1,987	3,383	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 13	253	305	226	165
Cigarettes, Domestic Sales—b	Dec.	29	30	30	17
Do., Cigars—m	Dec.	437	533	439	543
Do., Manufactured Tobacco (lbs.)m	Dec.	14	15	15	28

PRESENT POSITION AND OUTLOOK

while wholesale trade suffered only a slight increase.

* * *

Public utility sales of **GAS** to ultimate consumers set a record in January, amounting to 6,556 million therms, an 8.3% rise over a year ago, the American Gas Association has reported. Increased heating demand resulting from this year's colder winter was a factor in the improvement. Sales of natural gas accounted for 94% of the total and came to 6,162 million therms.

Total consumption of natural gas last year amounted to 98,900 million therms with public utilities accounting for 53,546 million therms and those buying directly from the wells consuming the remainder. Reserves of natural gas rose durng the year, amounting to 2,273,000 million therms on December 31, enough for 23 years at current consumption rates.

* * *

Spending for **NEW PLANT AND EQUIPMENT** in 1954 will be 4% under 1953 results, according to a governmental survey of capital spending plans of business, taken in February. With outlays for this purpose in the first quarter running ahead of the corresponding 1953 period, spending for this purpose in subsequent quarters is expected to dip below year-ago levels.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

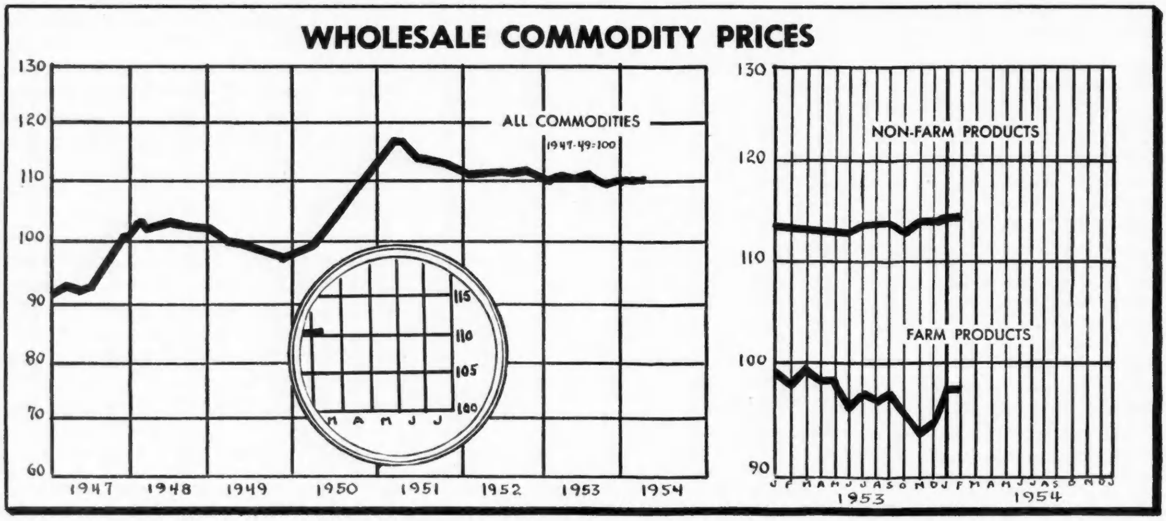
No. of Issues (1925 Cl.—100)	1953-'54 Range High	Low	1954 Mar. 12	1954 Mar. 19
300 COMBINED AVERAGE	215.5	177.2	206.4	208.3
4 Agricultural Implements	263.3	179.0	202.3	205.9
10 Aircraft ('27 Cl.—100)	518.8	330.3	498.4	518.8A
7 Airlines ('27 Cl.—100)	693.9	492.6	541.9	536.9
7 Amusements	104.8	76.4	103.9	104.8A
10 Automobile Accessories	289.4	213.8	243.6	250.6
10 Automobiles	49.4	39.0	39.6	40.8
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.7
3 Business Machines	425.6	311.4	418.5	425.6A
2 Bus Lines ('26 Cl.—100)	240.8	170.2	229.2	233.8
6 Chemicals	396.9	337.9	373.0	380.4
3 Coal Mining	15.4	9.0	9.8	9.8
4 Communications	69.3	58.6	66.9	66.9
9 Construction	74.0	57.9	73.4	74.0A
7 Containers	559.2	456.9	554.3	559.2A
9 Copper & Brass	175.4	125.3	148.8	148.8
2 Dairy Products	106.2	82.3	104.1	106.2A
5 Department Stores	63.2	54.6	61.2	60.6
5 Drug & Toilet Articles	249.3	203.8	249.3	246.9
2 Finance Companies	466.6	341.8	454.6	466.6A
2 Food Brands	200.4	185.0	200.3	200.3
2 Food Stores	140.9	113.0	134.2	132.9
3 Furnishings	79.2	59.6	67.4	67.4
4 Gold Mining	760.0	502.3	547.5	607.8

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Mar. 12	1954 Mar. 19
100 HIGH PRICED STOCKS	134.9	114.4	133.9	134.9A
100 LOW PRICED STOCKS	260.5	203.7	238.9	241.8
4 Investment Trusts	112.7	93.1	109.2	108.2
3 Liquor ('27 Cl.—100)	967.8	811.1	848.6	848.6
11 Machinery	240.6	181.0	228.4	228.4
3 Mail Order	128.6	101.0	110.2	110.2
3 Meat Packing	101.7	78.7	87.4	89.1
10 Metals, Miscellaneous	284.5	198.4	235.2	231.2
4 Paper	521.4	394.9	507.5	521.4A
24 Petroleum	468.6	376.5	468.6	468.6
22 Public Utilities	210.0	173.8	208.0	210.0A
8 Radio & TV ('27 Cl.—100)	36.9	27.6	30.9	30.9
8 Railroad Equipment	64.1	49.1	56.3	57.3
20 Railroads	53.2	41.8	45.6	46.0
3 Realty	55.1	42.3	55.1	55.1
3 Shipbuilding	330.8	228.7	313.2	322.0
3 Soft Drinks	433.3	339.0	429.5	433.3A
11 Steel & Iron	151.4	122.8	140.3	142.9
3 Sugar	59.8	45.9	48.2	51.9
2 Sulphur	650.3	525.5	650.3	650.3
5 Textiles	162.2	101.3	110.4	113.5
3 Tires & Rubber	97.5	70.4	94.1	97.5A
5 Tobacco	105.2	81.1	82.8	82.0
2 Variety Stores	319.5	288.8	288.8	288.8
16 Unclassified ('49 Cl.—100)	125.7	97.0	112.4	112.4

A—New High for 1953-'54.

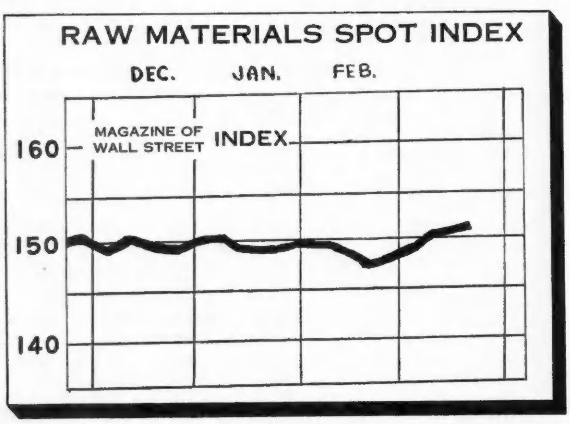
Trend of Commodities

Late February's strength in commodity futures has given way to irregularity and changes in the two weeks ending March 22 were small in most cases. This is reflected in action of the Dow-Jones Futures Index which on March 22 was only ¼ point away from its closing of two weeks earlier. Wheat futures have been mixed with the May option gaining ½ cent during the period under review to close at 226. Certain wheat growing areas are still experiencing poor weather conditions although damage so far has been moderate. It is estimated that Government holdings of wheat amount to almost 1 billion bushels, which would leave little or no "free" wheat carry-over at the end of the season. However, wheat redemptions have been picking up and so has Government selling. In the week ending March 5, the CCC sold 5.6 million bushels of the bread grain which exceeded sales for all of February. These trends could materially increase the supply of "free" wheat in coming months. Old crop soybean futures have been forging steaidly higher and the May option gained 17 cents in the fortnight ending March 22 to close at 367. During the same period the new crop, November, future lost 4½ cents. These divergent movements are a good illustration of the effect of a short current crop and an expected large crop next season. Cotton improved somewhat in the period under review and the July option gained 31 points to close at 34.68. There is hope that exports are going to do better than had previously been expected and these have certainly picked up since last Fall. However, domestic demand is still poor and the volume of recent orders received by mills has been running under current production rates. There is some attention to the dry weather which may affect crop prospects.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

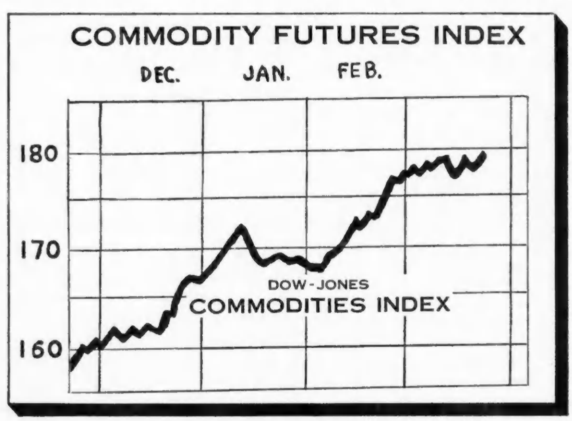
	Date Mar. 22	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.3	88.3	88.3	90.0	53.0
9 Foodstuffs	100.8	99.2	96.8	87.5	46.1
3 Raw Industrial	83.5	81.3	82.8	91.7	58.3
5 Metals	87.6	82.5	87.1	109.6	54.6
4 Textiles	86.5	87.3	88.6	88.1	56.3
4 Fats & Oils	76.7	73.4	71.8	60.9	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	179.0	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

During World War II, American made cigarettes enjoyed great popularity in Australia, but since then that country through restrictions on cigarette imports from dollar areas has practically closed its market to U. S. tobacco manufaccturers. **Philip Morris & Co., Ltd.,** is leaping this hurdle by setting up an Australian company to make and market its product there. The new creation will be Philip Morris (Australia) Ltd., with a portion of its $3.5 to $4 million capital shares being held by the parent company and the balance offered to the Australian public. It is stated that construction of a 50,000-square-foot, two-story plant is already underway in a suburb of Melbourne. The board of directors of the new company will be made up of Americans and Australians, the latter being in the majority.

From the time in 1935, when it acquired its first Diesel locomotive, **Atchison, Topeka & Santa Fe Railway** has continued to add to its Diesel fleet, becoming the first railroad in the nation to use this type of power for hauling passenger and freight trains and for switching purposes. The road now owns 977 Diesels totaling 1,622 units with a total of 2,263,210 horsepower. Its three famous streamlined passenger trains—the Super Chief, The Chief, and El Capitan now run to the West Coast on schedules of 39½ hours. At the time the Super Chief took over, Santa Fe's Chief was the fastest long distance train in the west, making the Chicago-Los Angeles run in 55 hours.

Suburbanites and others, aspiring to good looking lawns or fruitful gardens, only to be thwarted by impoverished soil or the persistency of weeds, or both, are promised relief from these two troublesome problems. **American Cyanamid Co.,** has brought out what it trade-names "Lawn and Garden Cyanamid" which it says has four important uses—building soil humus, repairing old weedy lawns, making new, practically weed-free lawns, and making compost. The product is a unique chemical, calcium cyanamide, which when first applied to the soil will, it is said, kill weed seeds, and then through a rapid chemical change becomes a highly effective fertilizer, supplying soil-sweetening lime and plant-feeding nitrogen during the entire growing season. To change crop refuse quickly into soil humus, the cyanamid is spaded into the soil with leaves, or flower or vegetable stubble, to a 5 to 8 inch depth a week or more before planting or seeding.

As a measure of its confidence in the ability of the nation's economy to move forward, **B. F. Goodrich & Co.,** states it is investing more than $30 million for new and better facilities. Such a sum will be about 35% more than the $23 million the company invested last year, and substantially above the highest amount it has ever spent in capital improvements in a single year. A sizable portion of this investment will go to increase the production and distribution of tubeless passenger car tires, introduced by B. F. Goodrich in 1947.

Sponge rubber matting to prevent foot fatigue for people whose jobs keep them on their feet all day has been developed by the mechanical goods division of **United States Rubber Co.** Called "Foot-Ease," its two layer construction of sponge rubber, protected by a tough rubber cover, is designed to cushion the effects of concrete, tile, or similar floors. It is believed use of this type of matting will increase worker efficiency. A recent survey, according to the company, has indicated that 70% of all industrial workers slow down production periodically as a result of foot fatigue. The new "Foot-Ease" may be used in most places except on wet or oily surfaces.

Formation of a Dealer Enterprise Plan by the **Chrysler Corp.,** is designed to attract younger men possessing the capacity, experience and desire to become automobile dealers. The plan provides for investment by Chrysler Corp., in selected dealerships that meet rigidly high qualification standards in order to provide the exceptional individual the opportunity to acquire a dealership commensurate with his managerial ability. Under the plan, dealers selected to participate invest a specified minimum of required capital, the necessary balance being provided by Chrysler. Provision is made for retirement of the company's interest out of the dealership's earnings.

Pittsburgh Plate Glass Co., has acquired in South Greensburg, Pa., seven acres of land on which are located two buildings with more than 140,000 square feet of floor space for use as a warehouse and distributing depot for curved automobile replacement glass. The company plans to construct a factory adjoining the existing structures that will be designed specifically for the manufacture of curved glass for replacement of windshields and rear windows of automobiles. Pittsburgh Plate Glass for some time has been an important supplier of curved and other glass for new automobiles through its large plate glass manufacturing plants at Creighton, Pa., and Crystal City, Mo.

Stockholders of both **Hudson Motor Car** and **Nash-Kelvinator** have voted overwhelmingly in favor of bringing the two companies together under the name of American Motors Corp. Subject to certain conditions, the merger is expected to be completed on or after April 23.

Where Dividends Can Be Maintained Despite Lower Earnings

(*Continued from page* 15)

desired attitude among investors, it is necessary that dividends be maintained on a reasonably satisfactory basis. If investors are to be encouraged to invest in new stock, they will first of all want to make sure that dividends will be continued.

For that reason, it is likely—barring a much deeper cut in earnings than expected—that the dividend trend this year will be affected less by the actual earnings than by the two important factors described above: first, the condition of the company's financial resources, and, second, in view of future financing requirements, the desirability of maintaining good stockholder relations through continuing satisfactory dividend payments.

It would take a serious decline in earnings, indeed, to cause directors to reduce dividend payments. Furthermore, even in the event of such a decline, directors would be loath to take unfavorable dividend action unless they were convinced recovery was far distant. It will be noticed in the accompanying table that during the 1948-49 slump, in instances where earnings declined appreciably, dividends were maintained and in several cases even increased. Only one of the ten companies listed reduced its dividend.

From the above, it is indicated that so far as the dividend outlook is concerned, the present strong cash position of companies and prospects for further increases for the reasons given, should exert a strong constructive force. We have also seen that moderately lower earnings as in 1948-1949 have no effect on dividends generally, the exceptions being companies in a particularly depressed condition and which were not strong in cash. The question, therefore, remains; what would be the position of dividends if earnings this year should drop materially?

In the last column of the accompanying table, we have shown the dividend coverage of the companies listed in the event their earnings declined 25% below 1953. We have used this hypothetical figure because any decline of such dimensions would automatically raise questions as to the safety of the dividends whereas declines in earnings of 10% or 15% probably would have no such impact, as was true in the last previous business slump in 1948-1949.

It will be noticed that even with a decline of 25% in earnings all ten stocks would still be able to cover dividends though in several cases by a slim margin. Of the ten companies, only General Motors has comparatively small cash holdings as compared with dividend requirements. The others are very well entrenched in this respect, several of them exceptionally well.

First quarter earnings will offer the first clue as to the prospects for dividend maintenance this year but much more important will be the ratio of earnings to dividends for the first half of the year. If business as a whole has not picked up by the end of that period and earnings approach uncomfortably close to dividend rates, directors probably would have to take such an adverse trend into consideration in planning future dividend policies. Even in that case, directors would probably prefer to continue payments at the old rate for a period longer, particularly where financial positions were strong. In other words, it would take at least six months of a continued decline in earnings, with definite prospects of a further decline, to imperil existing dividend rates. On the other hand, if earnings for the first half hold up better than expected—even though lower than for the same period last year—there would be no sufficient reason to doubt that dividends of the better-placed companies could be maintained.

How 1953 Stock Splits Fared

(*Continued from page* 28)

outstanding, which has remained constant since 1945.

STANDARD OIL CO. (IND.) This is the only one of the major oil companies which has not split its stock in the post-war era. In the past 11 years alone the company has earned a surplus, after dividend payments, of nearly $50 a share. With earning power established in the past few years at over $8 a share, it would be normal that the number of shares outstanding be brought up to correspond with both the established profit base and the steady accumulation of surplus. A stock split for the shares had been anticipated several years ago to follow the action of other leading companies in the field but the management evidently has preferred to wait until full integration of facilities was affected through its massive expansion program carried on ever since the end of World War II. This point seems now to have been reached. There have been no changes in common stock outstanding since 1920. It is significant that in 1952, authorized stock was increased from 20 million to 40 million, thus paving the way for an eventual 2-for-1 stock split.

SUNSHINE BISCUITS, INC. Since 1943, this company has built up a surplus after earnings of $33 a share. With an earning power in recent years established at around $6 a share minimum, no bonds or preferred stock outstanding, and a powerful financial position, it would seem that the directors can logically consider increasing the number of shares of capital stock through a stock split. The last time the shares were split was in 1946. The company, in more than fifty years of operation, has never had a loss and is expected to develop even larger earning power over the years as a result of steady expansion and consistently substantial capital expenditures.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. No inquiry will be answered which does not enclose ***stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Goodyear Tire and Rubber

"Please report highlights of Goodyear Tire & Rubber Company's operations during 1953 and also include the number of plants operating in foreign countries."

T. P., Dayton, Ohio

Highlights of Goodyear Tire & Rubber Company's 55th year of operation showed the following results: Sales and production eclipsed all previous marks, total volume exceding $1 billion for the third successive year. The 1953 sales of $1,210,508,783 compared with $1,138,403,608 in 1952.

Consolidated net income increased to a new high of $49,323,167 equal to $10.28 per share of common stock, compared with $39,009,866 for the year 1952, equivalent to $8.00 per share, based on the number of shares now outstanding.

Production in units and tonnage was the highest in the company's history. In 1953, Goodyear produced its 600 millionth pneumatic motor vehicle tire, a record.

Goodyear employment reached a new peacetime high, averaging more than 101,000 employees, world-wide. This was exceeded only by the war time record of 103,000 in 1954. Total payroll reached the all-time high of $350 million, or about 29% of the total volume.

Goodyear's foreign operations have enjoyed a record growth. Besides its 22 plants in the United States, the company operates 24 plants in 17 foreign countries and its products are sold in every country outside the Iron Curtain. Capacity of the foreign plants was substantially enlarged in 1953. In addition, several other expansion programs abroad were initiated during the year, and the benefits of the additional manufacturing potential should be realized before the close of 1954.

Dividends in 1953 were $3.00 in cash plus 3% in stock. For the first quarter of 1954 a 75¢ dividend was paid.

International Shoe Company

"I have been a reader of your magazine for some years and would like to take this opportunity to commend you on the excellent qualities of your articles and general organization.

"Please furnish sales volume of International Shoe, earnings and other pertinent data that will indicate recent operations of the company."

Consolidated net sales of International Shoe Company, and subsidiaries totaled $251,027,699 for the fiscal year ended November 30, 1953. This was an increase of approximately $34 million, or 16% over the preceding year. Military sales showed a decrease of $2,558,704 under the preceding year, while civilian sales showed an increase of $36,544,480 or 17%. Consolidated net income before taxes was $19,508,358; after taxes, net income amounted to $9,930,720, an increase of $1,643,828, or 20% over the 1952 fiscal year. Per share net income amounted to $2.93, as compared with $2.44 in the year previous. Dividends were $2.40 a share, the same as in the previous year. This latest payment completed 41 years of uninterrupted payments.

The company produced approximately 55,600,000 pairs of shoes, or a fraction over 11% of all shoes produced in the United States. In addition, International's 29 other plants produced leather, cut soles, rubber heels and soles, cotton textiles and other articles used by International in the manufacture of its shoes.

Acquisition of the Florsheim Shoe Company was the outstanding event of 1953 for International. Florsheim holds a unique position in the industry and its shoes round out International's coverage of the footwear needs of the consuming public.

Six shoe factories were added in 1953 due to acquisition of the Florsheim Shoe Company, and one factory was closed. The company now operates 60 shoe factories in 56 communities of 5 states. It also operates 29 plants producing various supplies for manufacture of its shoes. Its new processing plant for rubber composition heeling and soling materials at Bryan, Texas, construction of which was started in 1953, is nearing completion. Prospects over coming months appear satisfactory.

S. E., Rome, N. Y.

Kroger Company

"I have been reading about the expansion of super-markets in the post-war period. I would be interested in finding out the number of stores Kroger Company has in operation and also recent sales volume, earnings and inventory position."

P. W., Canton, Ohio

Net income for 1953 of $12,528,664 or $3.40 per share after taxes was reported for the Kroger Company. This was equivalent to 1-2/10¢ profit per sales dollar. Earnings exceeded 1952 by $418,577 or 10¢ per share.

Sales for 1953 totaled $1,058,-608,651, an increase of $6,758,-716. Retail prices were slightly lower than in 1952 due principally to lower prices of beef, fresh meats and vegetables.

Federal taxes totaled $16,781,-000 or 57.3% of before-tax income. Included in this amount was $1,639,000 of excess profits tax.

Operating costs continued to rise during 1953. Operating and general expenses were $148,802,-687, an increase of $10,550,422 or 7.6% over 1952. Salaries and wages, including manufacturing, increased $7,349,179 or 6.4%. The rising costs of doing business have as yet shown little tendency to level off, according to the company's president. Transportation, supplies, rentals and other costs follow wage rates upward. The trend to longer store hours adds to operating costs.

An aggregate net worth of $104,646,321, approximately twice that at the end of World War II, was reported at the year-end. This improvement was due to the re-investment of a part of each year's income, and is necessary if the company is to keep abreast of developments in the industry and continue its record of growth.

Kroger's cash balance at the end of 1953 was $41,792,719. The company had no outstanding bank debt.

Inventories on December 26, 1953, were $81,996,446, an increase of $4,053, 097 from the previous year. Net working capital was $68,707,575 and the working capital ratio was 2.1 to 1.

Kroger opened 143, new, remodeled and relocated stores in 1953. A considerable number of new stores are now in the planning and construction stage, with an expanded stores building program contemplated for 1954. There were 1,810 Kroger stores in operation in 19 states as 1953 closed, a decrease of 81 from the 1952 total.

Increased competition during 1954 was foreseen in the grocery chain field but with consumer purchasing power remaining high, Kroger anticipates that its business should be satisfactory.

Dividends including extra totaled $2.00 a share in 1953 and the regular quarterly dividend was increased to 45¢ a share in the first quarter of 1954.

American Locomotive Company

"Has American Locomotive Company expanded into other industries than the railway equipment field? Please furnish recent earnings, dividends and working capital position of the company."

L. S., Utica, N. Y.

American Locomotive Company's earnings from operations in 1953 were the best recorded in 27 years. Sales reached a new record peak of $440,710,000, exceeding the 1952 sales total of $349,953,000 by more than 25%.

Net earnings for 1953 amounted to $7,401,000, or $3.40 per common share after preferred dividends. This was an increase of 15% over 1952 net earnings which amounted to $6,444,000, or $2.83 per common share.

Indicating the changing character of what had been essentially a locomotive business was the announcement that output of Alco's diversified products – excluding locomotives and Army tanks – amounted to $85,000,000 in 1953. This was the first time in the company's history that production of other regular products closely approached the volume of its annual locomotive sales.

One of Alco's diversified, "new" businesses was to be the manufacturing of atomic energy equipment, which accounted for more than $22,000,000 in sales in 1953. A business developed entirely since 1950, Alco's atomic energy production includes heat transfer equipment for atomic energy producing plants at Oak Ridge, Savannah River and Portsmouth, Ohio, among others. Alco also turned out several heat exchangers in 1953 for the Nautilus, first submarine in history to be powered by atomic energy. Other atomic energy products included nickel-plated pipe, which Alco pioneered in 1950, nickel-plated valves and "other special assemblies."

With expansion of Alco's business to the chemical, petroleum and other process industries, where there is a far shorter delivery time than in the locomotive business, backlog figures are less significant than in the past. Nevertheless, Alco had a $160,-000,000 backlog of business as of the end of 1953, of which $98,000,-0000 was for combat tanks and other ordnance production, and $62,000,000 for regular products.

Although the company is expanding in other directions than the locomotive field, the company expects the locomotive business as a whole to continue to be a volume operation. Within a few years the volume of its locomotive service operations will fill the gap caused by the decline in sales of new diesel locomotives. Service operations are sales of parts, rebuilding and modernization of locomotives and components, and eventual replacement of earlier diesels by still more efficient locomotives.

Dividends including extras totaled $1.40 a share in 1953 and 50¢ was paid in the first quarter of the current year.

Capital Airlines

"Please submit comparative operations of Capital Airlines for the past two fiscal years and also include working capital position."

C. L., Trenton, N. J.

Capital Airlines had net earnings for the year 1953 of $1,652,-289 equal to $2 10 per share of common stock after income taxes of $1,207,000. These 1953 earnings compare with net earnings of $1,412,643 equal to $1.80 per share in 1952 after income taxes of $610,000 or an improvement of $239,646 and 30¢ per share of common stock. Operating income, before income taxes and non-operating deductions was $3,078,-493 for 1953, an increase of $1,-088,990 or 54.8% over the $1,989,-503 recorded in 1952.

Operating revenues, totaling $45,580,821 were the highest in the company's history and represented an increase of $5,184,821 or 12.8% over 1952 revenues of $40,395,703. Operating expenses which totaled $42,502,031 represented an increase of $4,095,831 or 10.7% over the $38,406,200 recorded in 1952.

All classes of revenue contributed to the increase of $5,184,-821 over 1952. Passenger revenue was up $4,300,000 or 12%; charter revenue up $353,000 or 43%; cargo and mail revenue increased $435,000 or 14%. All revenue increases resulted from increased volume of sales and the company set new records by carrying 2,-250,000 passengers, a total of 716,-607,000 revenue passenger miles, an increase of 12% in pasengers and 11% in passenger miles. The record level of passenger traffic was accompanied by an increase in the load factor of 2.5% over 1952.

Continuing close attention to cost controls enabled the company

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Strong and Weak Spots In Department Store Stocks

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butcher, the baker and the grocer, hied themselves to the city emporia for a day's shopping, a frequent occurrence with parking space always available, if they came by automobile, or without excessive fares on the commuter trains, railroad passenger rates being what they are.

All this has changed considerably. Cities have lost some of the population that patronized the big department stores. In their place have come, for the most part, those in lower economic brackets, whose wants, either by necessity or choice, are insufficient to maintain department store sales at high levels. Moreover, those who have joined the trek from the cities to the suburbs are, in the main, the younger married people, wanting this, that and the other for their new homes, and raising families that need furniture, clothing and the 101 other items essential to life from the cradle on. The suburbs, as a result of this migration, have grown up fast. It is estimated that within the last 10 years New York City has lost more than 500,000 upper- and middle-income bracket families to suburban areas. In approximately the same period, St. Louis, although increasing its population by about 6% has witnessed an increase of more than 48% in its suburban population. The records would show similar rates of expansion in the suburban areas of Boston, Chicago, Philadelphia and other principal cities.

Along with this suburban growth has come into existence in the various localities huge shopping centers. New ones are constantly coming into being and will be followed by others now in the designing stage. These are solid developments involving costs in the millions—anywhere from $20 million for Chicago's suburban Forest Park center to $100 million for the Lakewood layout near Los Angeles. Today's suburbanite no longer has to come to the city, to be harrassed by the car parking problem or expend money for railroad fare to do his shopping. He has his stores, with ample parking space, close to hand. The changed pattern of retail trade is forcing the big department stores to go into the suburbs by opening branch stores in or close to the shopping centers in order to benefit from the tremendous purchasing power of the rapidly growing suburban population. As a matter of fact, the growth in the next five or 10 years may be faster than that so far recorded as commercial houses, business organizations, factories and mills leave the cities in the wake of the exodus of the populace to suburban territories.

The leading department stores, recognizing the trend, began to move into the suburban markets with a good degree of success, helped by the fact that operating expenses do not run as high as those of the main city store. Although Federated Department Stores does not disclose to what extent its Abraham & Strauss Hempstead, Long Island, store contributed to earnings since its opening in early 1952, it supplies a partial answer by now adding a fourth floor and part of a fifth to the three selling floors with which the branch began business less than two years ago. Since 1951, Federated's subsidiary, Fedway, has opened six stores, patterned after the big-city stories in as many growing communities, and expects to have two more in operation sometime this year. Another subsidiary, Filene's of Boston now has nine branch units operating, with Halliburton's of Oklahoma City, operating six branch units.

R. H. Macy & Co., subsidiary, Macy's New York, now operating four branches in the outlying districts, is proceeding to build another unit in the great new shopping center at Roosevelt Field on Long Island, which will be the largest such store in the entire metropolitan area. In addition to this project, it is also planning large regional shopping center i Bergen County, N. J., and anothe subsidiary, Bamberger, wit branches in Morristown and Mil burn, N. J., is building two mor Macy's San Francisco, alread operating two branches intends t add another and is cooperatin in the development of two ne shopping centers in the San Fra cisco Bay area. Marshall Fiel now has three branches operatin in suburban Chicago. May D partment Stores, in addition to i chain of 10 major departme stores is operating 15 branche Gimbel Brothers, operating 1 major units in many of the pri cipal cities, has not moved a rapidly as some of the others i expanding into suburban area Among its plans are the openi of two new branches in the Mi waukee area, a new Saks Fift Avenue store in White Plains, a one in the $15 million shoppi center in suburban Philadelphi

This expansion into the subur appears to hold promise. Mea while, the big stores have t wrestle with another problem how to cut overhead and boo sales volume of their main store Rigid operating expenses, not t least of which is current wa scales for sales people and pra tically all classes of employee many of whom are fairly we unionized, makes cost cutti somewhat difficult. For this re son, store managements are n overlooking any means of redu ing expenses. One of the mo recent moves has been the co certed decision of a majority the New York stores to char for major alterations of me wear. Generally, there will be n charge for trouser cuffs, lengthe ing sleeves and minor work, b

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Statistical Data on Leading Department Stores

	Net Sales		1952		1953			
	1952	1953	Earned Per Share	Div. Per Share	Earned Per Share	Div. Per Share	Recent Price	Indicated Yield
Allied Stores	$501.8	n.a.	$ 5.06	$ 3.00	$ 5.10[4]	$ 3.00	43	6.9%
Associated Dry Gds.	154.6	n.a.	2.63	1.60	2.50[4]	1.60	21	7.6
Best & Co.	35.4	$ 35.5[1]	2.39	2.00	2.90[1]	2.00	26	7.6
Federated Dept. Strs.	447.8	n.a.	3.62	2.50	3.50[4]	2.50	42	5.9
Gimbel Bros.	291.6	n.a.	2.14	1.00	2.20[4]	1.00	14	7.1
Lane Bryant	58.1	n.a.	2.26	1.00[3]	2.20[4]	1.00[3]	15	6.6
Macy, R. H.	331.7	334.0[5]	.97	2.00	2.05[5]	1.60	22	7.2
Marshall Field & Co.	225.5	217.9	2.56	2.00	2.80	2.00	26	7.6
May Dept. Stores	447.5	n.a.	2.57	1.80	2.75[4]	1.80	29	6.2

n.a.—Not available.
[1]—Year ended January 31, 1954.
[2]—Year ended August 1, 1954.
[3]—Plus stock.
[4]—Estimated.
[5]—Year ended January 3, 1954.

Strong & Weak Spots in Department Store Stocks

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workroom costs have risen so in the last four years that it became necessary to either raise garment prices or make the alteration charge. The decision to hold the line on prices was reached because the merchants felt the customer needing no major alterations was being penalized for the one who required extensive changes in the purchased garment.

In the continued search for economies, it is likely that there will be further developments in self-service. The possibilities in this direction, however, are limited. Such selling lends itself to items like notions, proprietory drugs and toiletries, brand name packaged products in other lines, and similar goods, but would fail in other departments where the need is for intelligent salesmanship. More than one department store has found that elimination of a sales force in certain lines has resulted in not only smaller sales but a loss of customers. The best solution to the problem of creating greater sales and profits is to get customers into the store and have an efficient sales staff to handle them when they get there. As long as people have money they will be willing to spend it for the things they need or want. On this basis, the department store outlook should not be considered gloomy. The concensus of opinion seems to be that the current year will see a revival of demand for much of the soft goods usually carried by the stores now that the immediate demand for automobiles and other durables appears to be fairly well satisfied. Earnings in the current fiscal year should come fairly close to paralleling those of the previous year, and in some instances, surpassing those as greater benefits roll in from some of the newer suburban branches now operating.

Current market prices of most of the issues in the group appear to have taken into consideration the unfavorable developments in the last few years. Giving weight to this fact and the attractive yields from current rates of dividends which should for the most part hold, the better-grade issues, we believe, seem worthy of retention. Among the group, there are several stocks that are attractive to investors primarily interested in high yield without necessity of assuming too great a speculative risk. These issues are:

Allied Stores Corp., operating a chain of 30 department stores, among which are the Jordan Marsh Co., of Boston, The Bon Marche in Seattle, Gertz in Jamaica, New York, Pomeroy's in Harrisburg, Pa, Stern Bros. in New York and many others in important cities across the nation. It also operates four major branch stores, 35 junior department stores and four specialty stores. Growth of Allied has been through expansion of established units and acquisitions, progress in this direction resulting in 1952 total sales of $501.9 million, with net per share being equal to $5.06. Final figures for the fiscal year ended January 31, last, are expected to surpass those of the previous 12 months for both sales volume and net earnings, the latter being estimated at $5.10 a share, again providing ample coverage for annual dividend rate $3.00 a share for the common stock. The shares currently selling around 43 yield 6.9%.

Federated Department Stores, Inc., operates Abraham & Straus in Brooklyn, N. Y., Bloomingdale's in New York, and the Boston Stores in Milwaukee. In addition to these department stores, it also operates Filene's of Boston and Halliburton's of Oklahoma City, as well as 15 branch units, nine of which are represented in the Filene chain. Another subsidiary, Fedway Stores, formed in 1951, already has six new department stores located in smaller but growing communities, and is expected to open two more stores of this type sometime this year. Sales, increasing in each year since 1942, established a record high for the fiscal period to Jan. 31, 1953, at $447.9 million. Although Federated has not been immune to the problems that have confronted all department stores in recent years, it was able to report earnings for the 1952-53 year, equal to $3.62 a share for the common stock. It is estimated that sales volume last year ran ahead of the previous year's showing, although profit margins may have been lowered somewhat. Giving weight to this possibility, net for the year probably approximated $3.50 a share. On this basis, quarterly dividends of 62½ cents a share were amply covered and should hold at this rate. The stock, currently selling around 42, yields 5.9%.

R. H. Macy & Co., Inc., operating Macy's New York, includes among its other subsidiaries L. Bamberger & Co., of Newark, N. J., Davison-Paxon Co., in Atlanta, The LaSalle & Koch Co., Toledo, Ohio, Macy's San Francisco, and Macy's Kansas City, Mo., all of which, with the exception of Macy's Kansas City, operate a total of 17 branch stores. Macy's New York in addition to its main New York City store, rated the largest in the world, now has four branches in the Metropolitan New York territory, and is pushing plans for the erection of a new branch on Long Island. This new unit is expected to be the largest branch in the entire metropolitan area. The company is also planning a large regional shopping center in Bergen County, N. J., while several other of the subsidiaries are proceeding to open new branches in New Jersey and California.

Through cost reducing programs and lower markdowns, Macy showed a sharp recovery in earnings in the fiscal year ended August 31, 1953, net for the common stock amounting to $2.20 a share. This is contrast with 98 cents a share earned in the preceding fiscal year, although the showing for that period was improved by including $1.61 a share capital profit from sale of radio and television properties bringing net to $2.59 a share. On the basis of interim reports for the current fiscal year, Macy has been able to hold its operating gains. (The company has just issued the report for the year ending June 30 showing earnings of $2.05 a share.) New branch units coming into operation should further improve the company's position. The current 40 cents a share quarterly dividend is reasonably protected and should be maintained. The stock is currently selling within about two points of its 1953-54 low, and at this level yields 7.2%.

May Department Stores Co. has 10 major department stores and 15 branches. The company operates under the May name

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stores in Cleveland, Baltimore and Los Angeles, as also Kaufmann's in Pittsburgh and Taylor's of Cleveland. Branch stores are strategically located. The company is expanding its Kaufmann operations and in addition expects to open a new unit in the northeastern Ohio area by the end of this month. May has a consistent growth record. Earnings for the fiscal year ended January 31, 1954, are estimated at $2.75 a share, up from $2.57 a share for the previous year and $2.48 a share for the year ended Jan. 31, 1952. Dividends have been paid on the common stock at varying rates in every year since 1910. The current rate of $1.80 annually has been in effect ever since the June, 1951, 2-for-1 stock split. New stores coming into operation should swell sales volume and operating profits. The shares, currently selling around 29, yield 6.2%.

1954 Outlook for TV—Electronics—Movies

(*Continued from page* 25)

represented 60% of the peak military volume of World War II. At the same time, the diversity of electronic devices for both offensive and defensive uses is so much more marked than in the last war that there does not appear to be any likelihood of a significant decline in the industry's sales of military equipment.

Indeed, there should be a further rise in defense volume in 1954 and this business figures to continue at a high level for the forseeable future, despite any reductions which take place in total defense spending. The importance of electronics increases as both weapons and counter-weapons become more complex. As an example, as higher and higher operating speeds reduce the time for control decision, automatic control through electronics becomes ever more essential. Microwave, automatic pilots, radar and loran systems are big busines today.

Some idea of the work of these wonder devices may be gleaned from a motor vessel that serves as the marine laboratory of the Sperry Gyroscope Co. In steering the ship, the captain has his choice of 19 controls, ranging from automatic and hand-electric to manual. He can "see" objects as small as an oyster stake and follow the exact line of the coast day or night with the Sperry marine radar. He can plot his position in a matter of minutes by the loran system, which is a sort of electronic stop-watch that measures distances traveled by pulsed radio signals.

Another important market for electronics is in the field of industrial controls and computers for scientific and business data-handling, as well as in new applications in the automotive and air transport industries and in home appliances. Products for these markets range in size from relatively simple devices, such as room air-conditioners, to highly complex computers. There is quite a problem of maintenance associated with the more advanced types and further developments in semi-conductors, printed circuit techniques and miniature subassemblies will be helpful in coping with this problem. Much has been heard about the automaton of manufacturing processes and this too should ultimately be an important market for firms like International Business Machines Corp.

Magnetic Tape & Recorders

Sales of magnetic tape recorders, for which new uses seemingly are found almost daily, totaled 175,000 units in 1951 and a little more than 200,000 in 1952. By 1953 sales were around 300,000 with the business registering a record $65,000,000 volume. Tape recorders range from the instrument found in the home, music school, church and business gathering, retailing for as little as $100, to the intricate custom-made device designed for scientific research with a $20,000 price tag. Industry sources estimate this business will be at a $200,000,000-a-year clip ere long. The foregoing figures do not include sales of the magnetic tape, a multi-million dollar business in itself that sells the product to scores of industries. And sales of tape, of course, are skyrocketing along with the end product it feeds. The burgeoning tape trade has proved a bonanza for Minnesota Mining & Manufacturing Co., which developed the now standard iron-oxide tape and which claims better than half the world market. Three-M last year produced more than 500,000 miles of that material.

The wide scope of operation that RCA plans in this industry was highlighted in November, 1953, when Brig. General David Sarnoff, chairman of the board of RCA, disclosed that his company already had achieved recording of color as well as black-and-white TV programs on magnetic tape. RCA considers it vital for the future of the TV art to move rapidly toward perfection of video tape recording in order to provide the industry with a practical, low-cost solution of program-recording, immediate playback and rapid distribution.

An unlimited number of copies of such tapes can be made quickly and copies can also be preserved for historic reference or other uses. The RCA method records and reproduces pictures in motion in black and white and in color with no intermediate steps such as film processing. It does away with all-chemical processing. The pictures may be viewed the instant they are taken, which adds new flexibility in the making of motion pictures. The process is electronic for the camera, for the making of the tape record and for playing the tape. And there is the added advantage that the tape may be "wiped off" and used repeatedly. Moreover, the original tape can be multiplied to many tapes for convenient and wide-spread distribution to TV stations around the country and overseas. Electronic motion pictures for TV, for the theatre and for the home are expected to stem from this development.

As the first quarter of 1954 draws to a close, the outlook for the year as a whole is for new records in volume as this burgeoning business assumes an ever more prominent role in defense, domestic and commercial fields. The earnings prospect is less rosy. The TV price war continues, thus making it difficult to bring much, if any, of the sales dollar down to net profit. Industry sources look for sale of around 5,000,000 sets

(*Please turn to page* 54)

1954 Outlook for TV—Electronics—Movies

(*Continued fro mpage* 52)

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Then, too, military business for the industry is expected to be around peak levels this year and help plug some of the gaps from lower TV set sales, profit margins here are generally slimmer than on commercial business. The more fortunately situated companies are those that have diverse interests.

In this category are such companies as Admiral, Philco and RCA, which should enjoy substantial profits from the booming air-conditioning business. Motorola has a large volume of car radios and communications equipment for police and taxicabs, railroads and other industries. General Electric and Westinghouse, of course, cover the entire field while RCA and Columbia Broadcasting Systems are in TV and radio broadcasting.

Makers of tubes and transistors should have a record year. Companies such as Tung-Sol, Sylvania, RCA and General Electric should cash in on the demand for tubes from the military and commercial users. Color TV will require more tubes per set and color picture tubes should prove a bonanza for years. As late as March, 1954, RCA output of color picture tubes was 2,000 a month. These tubes, incidentally, will be sold to other makers of color sets as well as being used in RCA receivers.

At the same time, Sylvania Electric said it had stabilized the transistor. Lack of stability in the tiny germanium substitute for vacuum tubes had slowed progress for some time. Cheaper, smaller and more durable TV sets, radios, hearing aids and all kinds of military electronic equipment should be just around the corner.

Electronics manufacturers sold nearly 10,000,000 TV picture tubes last year. These had a value of $235,000,000. In 1952, 7,600,-000 of these tubes with a value of $170,652,000 were marketed. Sales of receiving tubes last year totaled 437,000,000 units worth $259,000,000. A major beneficiary of the advent of color and the growing military applications should be the tube manufacturer.

One of the chief sources of new business for the industry should be the expansion of broadcasting facilities. Top companies in the field of equipping these stations are G.E., RCA and DuMont. New stations in the Very High Frequency and Ultra High Frequency bands have been coming on the air at the rate of one a day in recent months and the number of stations in operation should increase from 356 at the close of 1953 to more than 500 by the end of this year.

Naturally, the opening of new stations means new markets for TV set manufacturers. Of the 27,-000,000 TV sets now in use, only about 3,600,000 are equipped for UHF reception and these in turn represent only one-third of the 11,000,000 homes already within range of UHF stations. Furthermore, an additional 15,000,000 homes within range of a TV signal have no sets as yet. The replacement of existing sets should provide another important market, since only about 30% of the sets now in use are in the popular sizes (larger than 17-inch) and 20% probably are more than four years old.

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Prospects are for another $5 billion handle by the electronics industry this year. About 60% of this total should come from military busines. Radio-TV trade ought to add up to $1.3 billion and the remaining $700,000,000 should be derived from industrial equipment and replacement parts.

From the general earnings standpoint, it would appear that profits for companies more or less exclusively dependent on TV and tubes will be under those of 1953, wheras the more diversified companies active in electronics will obtain support from government contracts. Dividends for some of the weaker companies may be in question but the large concerns, well supplied with cash, can maintain dividends for a considerable period unless business drops much further than expected.

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(*Please turn to page* 56)

BRIDGEPORT BRASS reports another record year

Copy of Annual Report available on request

LARGEST SALES IN HISTORY

NEW HIGH IN NET INCOME

FOURTH CONSECUTIVE YEAR OF INCREASED DIVIDENDS

PROGRESS IN ALUMINUM

Our aluminum program emphatically stepped out of the developmental stage when, on December 22, 1953, we leased the aluminum extrusion and forging plant in Adrian, Michigan from the U. S. Air Force. Operations at present are on a modest scale, but are expected to increase rapidly since the plant is in good condition and an experienced organization is available. In addition to aluminum, the equipment is suitable for the working of titanium and other aircraft metals.

EMPHASIS SHIFTED TO SALES

Many specific steps have been taken to increase the efficiency of our sales organization. Our outside sales force has been increased. Mill products warehouses have been set up in Louisville, Kentucky and New York City. Additional sales offices have been opened in Grand Rapids, Michigan, and Richmond, Virginia. We now have 34 district offices and 13 warehouses.

ADVANCES BY RESEARCH

Several new alloys which have excellent commercial possibilities were brought forth by our intensified research and development program. Additional equipment for pilot plant processing of new metals and alloys has been installed; within 15 minutes after a test sample is poured, a complete analysis is obtained and reported to the Casting Shop. Molten glass is now regularly used as a lubricant in extruding some alloys; additional experimental work is being carried out to broaden the scope of its use.

CAPITAL STRUCTURE IMPROVED

For the first time since 1937, the Company issued common stock. For every four shares of common held on November 17, each stockholder was given rights to buy an additional share at a price of $21.50 per share. More than 95% of this very successful offering was taken up by the exercise of rights, and about $5 million was received by the Company. The number of stockholders increased to 9,593—841 more than a year ago. Long-term debt was reduced by more than $700,000.

FACTS AT A GLANCE

	1953	1952	1951
Sales	$142,659,000	$127,517,000*	$101,711,000
Profit before Federal Taxes on income	19,601,000	13,074,000*	10,706,000
Federal income & excess profits taxes	14,275,000	9,050,000*	6,845,000
Net income after taxes	$ 5,326,000	$ 4,024,000	$ 3,861,000
Distributed to Shareholders as dividends	$ 2,032,000	$ 1,618,000	$ 1,466,000
Retained in the business	3,294,000	2,406,000	2,395,000
Net income	$ 5,326,000	$ 4,024,000	$ 3,861,000
Earnings per Common Share	$ 5.47**	$ 4.23	$ 4.04
Dividends per Common Share	$ 2.00	$ 1.70	$ 1.50
Total number of Common Shareholders	9,593	8,752	8,312
Book value per Common Share	$29.32†	$28.26	$25.79

*Reclassified for purposes of comparison
**Based on average number of shares outstanding during year.
†Book value would have been $37.18 if it had not been for the issuance of 254,807 additional shares late in 1953.

BRIDGEPORT BRASS COMPANY

BRIDGEPORT, CONNECTICUT

"Bridgeport"

1954 Outlook for TV—Electronics—Movies

(*Continued fro mpage* 52)

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1954 Outlook for TV—Electronics—Movies

(*Continued from page* 54)

up substantially during the last two months of 1953. Some of the major chains were able to report as much as 15% gains in box office revenues. This uptrend has continued into 1954. Many of the independent suburban houses have been packing them in, a unique experience after the desultory conditions encountered in the immediate past. One small suburban theatre in January of this year exhibited "From here to Eternity" to capacity audiences and was able to hold the film over for 13 days. This is in contrast to runs of two or three days for nondescript productions, that attracted meagre audiences.

Aiding the revival of public interest in the wares of the motion picture industry is the waning influence of TV. Another helpful development is the lure of the drive-in-theatre. The number of these theatres has increased in the last five years from 800 to more than 4,500 at the close of 1953. That they have become increasingly important is apparent by the fact that their gross receipts represent approximately 25 per cent of the grand total for the industry. Moreover, the producers, as a result of the lean years, have put their house in order. Economies have been effected in operations and better methods for controlling production costs have been adopted. Another bright light is the favorable acceptance of American productions in foreign markets. Revenues from sources abroad are highly important, constituting 40 per cent or slightly more, of the industry's total. The American film industry is geared economically to a world market and therefore heavily dependent upon exports for its economic health and well-being. Income from abroad, however, is subject to the availability of dollar exchange.

Despite the upsurge in the domestic end of the business in recent months it is still a little premature for the industry to sit back, confidently believing that the worst is over. The continuing success of any one of the producers depends entirely on its ability to screen stories that will prove box office hits. There is no gauge to measure the potentials of any production before filming begins or afterward. The answer can be had only through the degree of activity at box office windows. Another big problem facing the industry is the effect color TV may have upon theatre attendance. This is not going to be an immediate development, although it is likely to assume more sizable proportions sometime next year, depending upon the ability of the TV set makers to produce units to sel. at "popular prices".

Eventually, we may see more of a "tie in" of the motion picture industry with television. This could come about in two ways, one being the filming by the producers of stories for TV showing, and the other, greater use of closed-circuit television with TV set owners paying a fee to see first-run movies on their sets at home. While it is difficult to judge the possibilities in the latter field, it seems reasonable to believe that progress along these lines may be exceedingly slow. The question that will require an answer is: would the producers be able to realize sufficient revenues from home fees while destroying outlets represented by the thousands of motion picture theatres in which more than $2 billion have been invested?

In any event, there is no basis at this time for investors to generate too much enthusiasm over the immediate outlook for the motion picture company stocks. Still, there has been some improve in their business, indicat.ng better earnings for Loew's, Paramount Pictures, 20th Century-Fox, Universal Pictures and Warner Bros., for 1954. For that reason dividends being paid by these companies should hold and their shares are worthy of retention on a speculative basis.

For Profit & Income

(*Continued from page* 37)

comparative stock-bond yield—which obviously has more significance for investment-grade dividend payers than for other stocks—the market rise of the last six months has not reduced values. People give a good deal of attention to the safety of existing dividend rates, less to that of bond coupon rates. Under present easy-money conditions, most of the new bond issues floated at higher rates of interest in the first half of last year are now subject to refunding at lower rates, and many will be refunded. In fact, something like a flood of refundings is shaping up; and in many cases the substitute issues will be sold privately to insurance companies, squeezing out holders of the called bonds. Corporate bond buyers should avoid issues now selling around or above call prices.

Favorites

Stocks showing above-average demand at this writing include American Radiator, Atlas Powder, Bell Aircraft, Blockson Chemical, CIT Financial, Cleveland Electric, Container Corp., Douglas Aircraft, Freeport Sulphur, General Tire, Idaho Power, Lion Oil, Lily-Tulip Cup, Lockheed, National Tea, North American Aviation, Seaboard Oil and Shell Oil.

Utilities

As safe-income stocks subject to moderate long-range appreciation, electric utilities have nearly everything in their favor—rising revenue and income, shrinking bond-market yields, creeping but persistent rise in average dividends. The stocks have had a substantial advance, of course, but are not extreme on a current average yield basis of about 5%, compared with less than 3% at their 1946 market high, barely over 4% at their 1937 bull-market high and less than 2% at the absurd maximum valuation of 1929. Yields on "growth" utilities, which are the best buys for long-pull appreciation, range from a little under 4% to around 4.75%. Some of these worth considering are American Gas & Electric, Florida Power, Florida Power & Light, Texas Utilities, Houston Lighting, Central & South West, Gulf States Utilities, Middle South Utilities and Southern Company.

The Dollar

By ROY F. HARROD

This book by the celebrated British economist and disciple of John Maynard Keynes provides a vigorous examination, written for the informed layman, of the dollar "as an institution." Beginning with the evolution of the dollar, Mr. Harrod goes on to consider the Federal Reserve System and finally the dollar gap now so important in international affairs. His express purpose is "to interpret the present behaviour of the dollar at least in part in terms of the characteristics with which its history has endowed it."
Harcourt, Brace $3.50

AMF REPORTS...

1953 was the sixth year in which AMF pursued its policies of expansion and diversification. As in the past four years, 1953 produced new record highs in every income category.

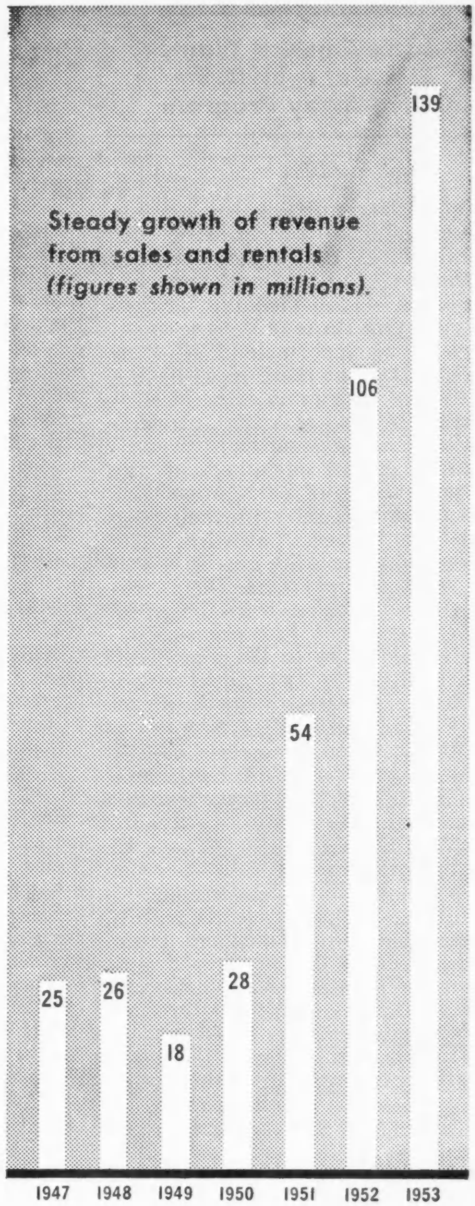
Sales and rental revenues increased by 32%. This was more than enough to offset the sharp increases in cost of materials, salaries, wages and other operating costs.

Today AMF is producing machines for diversified industries as well as for the military. Our consumer products reach into millions of homes.

We face 1954 and the future with confidence of continued and substantial progress.

Morehead Patterson

MOREHEAD PATTERSON
Chairman of the Board



SUMMARY STATEMENT OF INCOME

	1953	1952
Total Sales and Rentals.....	$139,201,000	$105,821,000
Net Income before non-recurring profit on sale of land and buildings	$ 4,610,000	$ 4,167,000
Profit from sale of land and buildings less applicable taxes	$ 666,000	–
Net Income for Year........	$ 5,276,000	$ 4,167,000
Net Income per Common share outstanding at year end before non-recurring profit on sale of land and buildings and after Preferred Dividends	$ 2.11	$ 2.05

If you would like to have a copy of the 1953 Annual Report please write to the Secretary of the Company

AMERICAN MACHINE & FOUNDRY COMPANY

Executive Offices: 511 Fifth Avenue, New York 17, New York

Creators and Producers of Electronic and Mechanical Equipment for Home, Industry and the Armed Forces

Latin America Wants to Get In on U. S. Give-Away Program

(*Continued from page* 21)

result, the country is permanently worse off.

With local capital insufficient or reluctant, Latin American countries have been pleading for foreign capital to take the necessary "risk" in development of their resources. But these pleas have a hollow ring, coming from governments which are often anti-capitalist and nationalist. These attitudes can be explained by the intense desire of Latin Americans to become masters of their own destinies. Several Latin American Republics live even now in a sort of semi-colonial status. Their prosperity rises or falls with the prices of one or two of their export products, and most of the time they have little to say about these prices.

The attitude toward foreign, that is, North American, capital varies greatly from one Latin American country to another. In Venezuela, the Dominican Republic, Peru, Cuba, Haiti, Mexico, El Salvador, Uruguay, and Panama, the conditions for investment of additional capital are as a rule favorable. But even these countries require that a certain percentage of employees be nationals of the country, or that the control of the enterprise be vested in their nationals. In Argentina, Brazil, Chile, Guatemala, and other countries, the conditions for investment are far stiffer. Foreign enterprises coming into the country are often screened—lest they unduly compete with already existing enterprises. Remittances of profits may be subject to special taxes or fees, or shut off completely. Foreign enterprise may also be subject to a special contribution to government slush funds (in Argentina), or to discriminatory labor legislation. American public utility enterprises, insofar as they still operate, have their rates regulated, sometimes to a point so low that there are no earnings for reinvestment. In Chile, American copper companies, until quite recently, had to sell their product to the Central Bank, and the Government kept the proceeds of sales over and above an arbitrarily set price figure.

Secretary Dulles said in Congress that "the United States would like to see the economies of our Latin American friends and neighbors more vigorous than in some cases they are, the living standards raised, employment increased, and wages such as to provide the workers with greater rewards." Indeed Latin American Republics need sound, healthy economies so as to prevent communist infiltration. That is all that the United States wants to get out of providing aid and investing money in Latin America, plus a reasonable reward for the private American investor for the risks he has taken in placing his money there.

But Latin America must cooperate. The United States Government has no power to force U.S. private capital to make investments in Latin America. Individual Republics must compete for this capital with local American enterprises and with Canada and Africa by creating within their borders favorable conditions for such investments. Equalizing the ups and downs in the fluctuations of raw material prices makes sense, but supporting the prices of these raw materials at unrealistic levels is throwing good money after bad. Latin America must produce more and at lower prices, rather than less at higher prices, as she has been doing during the postwar period. With European per capita consumption of such products as coffee, cocoa, meat, copper, and other nonferrous metals still relatively low, there is small chance that such products would go begging in international markets.

Industrialization in most Latin American countries has out-run its agricultural, raw material, and fuel base. Latin America needs more transportation facilities, more hydroelectric power, more tractors; she needs to raise the productivity of her lands. The United States stands ready to help with know-how and aid in individual cases. The mechanization of the coffee industry, for example, would be helpful to both Latin American producers and U.S. consumers. There are many other instances where we could and should help. The practical problem is how to bridge the gap between the legitimate rewards that are due the American investor and the national aspirations of individual Latin American countries receiving the capital.

New Investment Audit of Allied Chemical

(*Continued from page* 34)

preferred stock of Virginia-Caro- lina Chemical, and 334,000 com- mon shares of American Viscose

But to return to the company's own operating results. As gros income for 1953 set an all-tim record high, so did net income a $45.1 million. This was approxi mately $5 million ahead of 1952 and equaled $5.10 a share for th outstanding stock, as compared t $4.55 for 1952, and $4.58 fo 1951. In making a comparison o year to year earnings, it should b borne in mind that the company' broad program of postwar expan sion was financed with funds gen erated within the business excep for $50 million bank loans draw down in 1952. These obligations however, were retired last yea with part of proceeds derive from Allied's sale of $200 millio of 25-year $3\frac{1}{2}\%$ debentures o which first sinking fund payment do not become payable until 195 The balance of debenture proceed has been largely reinvested i U. S. Government securities an held against current and futur expansion and development ex penditures.

Financial Position

Since the end of 1944, plant ex pansion and acquisitions have in creased net property account from $65.9 million to $368.7 million a the end of 1953, an increase o $303 million, the equivalent of ap proximately 466%. Among cur rent assets, investments in th companies to which reference i made in a foregoing paragraph including miscellaneous items were carried at only $20.4 mil lion, although quoted marke value of these issues at the clos of the year, totaled approximatel $51 million. Investments in U. S Government securities at th year's end allowing for retiremen of the $50 million bank loan i January, this year, amounted t $99.7 million. Including $48.2 mil lion accounts receivable, less re serve, and net inventories, Allied' current assets as at Dec. 31, las totaled $253.2 million, agains which total current liabilities wer $74 million, indicating a ratio o

(*Please turn to page* 60)

New Investment Audit of Allied Chemical

(*Continued from page* 58)

current assets to current liabilities of better than 3.4-to-one.

Throughout its swift growth period, measuring from 1944, the company has held its capital stock to one issue, there being practically no change in the amount of shares outstanding, after giving effect to the four-for-one split in 1950. Dividends, inaugurated in 1921, have been paid in every year since. The current rate of $3.00 a share annually, established at the time of the stock split has been maintained in subsequent years up to the present, divided into regular quarterly payments of 60 cents a share, plus a special distribution in the same amount.

On this basis of payment, the stock at current market price around 77 yields 3.8%. This is a relatively small yield and reflects the premium that is put upon the issue for its growth potentials. Nevertheless, the stock has considerable attraction from this standpoint and merits a place in conservative investment portfolios as a long range holding. It is suggested that investors now contemplating commitments in the shares would do well to adopt the "dollar averaging" method, making an initial partial purchase, following this action with an additional commitment of an equal amount later on if a more favorable market opportunity presents itself.

Answers to Inquiries

(*Continued from page* 46)

to reduce the unit costs of production in 1953 despite the increase in total operating expense.

The improvement in the company's position was also evident in the balance sheet. Total assets amounted to $21,864,000, an increase of $2,465,000 over 1952 Working capital improved and cash at the year-end was $4,128,-000,- an increase of $1,443,000 over the year-end of 1952. Despite the acquisition of four more fifty-five passenger Lockheed Constellation airplanes and related equipment, during the year total debt declined $171,000. Earned surplus at the end of the year totaled $4,415,680. Total capital earned surplus was $10,971,233 or $13.92 per share of common stock as compared with $9,331,-456 or $11.91 per share at the end of 1952. This is an increase of $2.01 per share in the net book value of the common stock.

Last dividend payment was 25¢ per share on August 8, 1945.

Borden Company

"You have commented in the past that Borden Company has a good record of stable earnings and therefore would be pleased to receive report on recent net income of the company, dividend payments and financial position, etc."

S. J., Hazelton, Pa.

Sales of $792,381,721 in 1953 set a new record for the Borden Company and its consolidated subsidiaries. It was an increase of 3% over 1952 sales of $768,019,-612 and was due principally to greater volume, as prices were generally lower than in 1952.

Net income rose 15% to $20,-264,156 from $17,667,137 in 1952. The following factors are responsible for the increase: larger volume of goods handled; removal of price controls; a decline in farm prices; and new equipment and methods that improved efficiency.

Earnings were $4.71 per share, compared with $4.11 the year before. U. S. and Canadian Federal income taxes rose to $22,102,585 from $15,742,410 in 1952.

Completing its 55th year of uninterrupted dividend payments, Borden paid $2.80 per share in 1953, the same as in 1952.

Year-end inventories were $67,-971,612. This is 17% lower than in 1952, when unusual conditions made it necessary to carry heavy stocks of some products. The lower price level during 1953 was another reason for the reduction in inventories.

Current assets were $162,863,-732 and current liabilities $43,-284,970, a ratio of 3.76 to 1. This left a balance of $119,578,762 as working capital.

The budget for capital expenditures for 1954 is $13,964,000. Supplemented by $4,358,416 previously authorized but not spent in 1953, this will make $18,322,-416 available for capital expenditures in 1954.

The company's fluid milk sales figures indicate a rate of improvement greater than a nation-wide gain in fluid milk consumption.

Sales of the FOOD PRODUCTS DIVISION were the highest o record, despite generally lowe prices and increasing competitio in several principal lines.

Export sales increased ove 1952.

A sharp increase in sales of th CHEESE DIVISION was due t purchases made by the Govern ment in carrying out its pric support porgram. Sales of ic cream and related products in creased again. Sales of th CHEMICAL DIVISION also in creased, as all departments con tributed to a general upturn i business. With the exception o its soy bean processing opera tions, which were hampered b Government price support poli cies, the SPECIAL PRODUCT DIVISION experienced a bette year than in 1952. Animal fee supplements did well, and th PRESCRIPTION PRODUCT DEPARTMENT showed decide progress.

Prospects over coming month continue favorable.

Electric Storage Battery

"I note that the market price of Ele tric Storage Battery has declin sharply in the past year. Will you plea indicate whether sales volume and ear ings have declined substantially, plea also state working capital position a prospects."

C. E., Pampa, Tex

Consolidated sales of the Ele tric Storage Battery Company fo 1953 were $96,191,286, a decreas of 11.7% from 1952 sales o $108,956,929.

Earnings for 1953, after esti mated income taxes of $1 millio and transfer of $80,000 from re serve to offset lead losses, wer $1,698,067, or $1.87 a share. Thi compares with $2,249,376, o $2.48 a share, for 1952 when esti mated income taxes were $1,170 000 and $705,000 was transferre from reserve to offset reductio of income resulting from lea losses.

Dividends totaling $2.00 pe share were paid in 1953, the sam rate as in 1952.

The reduced volume of sales i 1953 was due largely to cutback in military spending by the Gov ernment after the Korean truc which also resulted in readjust ments in the pace of the divers fied industries served by the com pany.

Inventories were reduced b $3,715,000. Working capital wa $30,688,896, or $33.81 a share, a

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Answers to Inquiries

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compared with $32,637,381 or $35.95 a share at the end of 1952. The ratio of current assets to current liabilities increased from 4 to 1 at the end of 1952 to 5½ to 1 on December 31, 1953. Book value at year-end was $55.23 a share. Backlog of orders amounted to $21,885,000 or $6,661,000 less than the backlog at the beginning of the year.

During the year, the corporate structure of the company was reorganized and put on a completely divisional basis. Five domestic manufacturing subsidiaries were merged with the parent company. The Exide organization was separated into two operating divisions —automotive and industrial. The company is continuing to streamline its operations. It is persisting in efforts to put facilities and products to work and to reduce manufacturng and operating costs. It is difficult to predict future sales but the company is exerting every effort in order to increase volume.

Elliott Company

"Please present recent earnings of the Elliott Company and state the nature of the busienss and recent amount of backlog of orders on the company's books."

M. C., San Diego, Calif.

Net income of Elliott Company, a leading manufacturer of steam and gas turbines, turbochargers for diesel engines, electric generators and motors and other types of heavy industrial power plant equipment, amounted to $2,532,971 for 1953, or 6% of net sales, compared with $2,781,799 or 6.2% of net sales in 1952. Shipments during 1953 totaled $42,527,073, the second-highest in the company's history. This was 6% below the previous high of $45,199,164 in 1952.

The industry's return to more normal markets and vigorous competition during the year made it inadvisable to increase prices sufficiently to offset higher wage, salary and material costs that occurred prior to the end of Government price controls in March, 1953. However, lower tax levies resulted in a drop of only 8.9% in net earnings despite a decline of 30.3% in earnings before taxes.

After deducting preferred dividend requirements, 1953 net earnings amounted to $4.18 per common share based on 533,158 shares, compared with $5.10 per common share based on 496,593 shares in 1952. The increase in number of common shares outstanding resulted from conversion of second preferred shares. The company expended $3,025,760 in 1953 for modernization and expansion of productive facilities, compared with $1,712,729 in 1952.

Orders booked in 1953 amounted to $36,110,000, a 5% decline from $37,890,000 in 1952. Backlog of orders at December 31, 1953 amounted to approximately $25 million.

Dividends including extras totaled $2.00 a share in 1953 and 40¢ was paid in the first quarter of the current year.

Potential Business Stimulant In $100 Billion Backlog In State-Local Projects

(*Continued from page* 10)

of instant bearing in consideration of quick works programs or relief programs to meet an instant situation is the fact that it is in the cities where the problems are the most keenly felt and these cities have only one fourth of the membership of the State Legislatures, the bodies which have the power to take action.

Another set of facts which has a strong bearing on action by State Legislatures is the political make-up of these bodies. Even in periods when either Republicans or Democrats have dominant majorities in Congress, there still are enough in the minority to have substantial influence, to make tremendous noise, indeed to constitute an ever-present corrective threat to the majority. In a great many of the States that is not the case. The States are governed on a one-party system. Not all of them, quite a number show changes in control from election to election but no living man has ever seen a Republican majority in Mississippi, the General Assembly of which has not one single Republican member.

There is wide cleavage when it comes to national and State politics. This most likely will mean that different policies may govern in Federal and State issues. For example, the State of Oregon wa

carried by Franklin Roosevelt four times but not since 1878 has Oregon had a Democratic Legislature. President Eisenhower carried Florida in 1952 but the Florida House of Representatives has 95 Democrats and five Republicans.

So when the Congress carries out an Eisenhower tax or other policy it is by no means certain that a State Legislature will carry the same sort of policy into local affairs. To be sure, human nature being what it is, the chances are that if the Congress leaves any available revenue around loose, the States are not unlikely to seize upon it but there is no certainty that all States will seize upon it for the same purposes nor for the purposes for which presumably the Federal Congress relinquished control!

There will have to be a remarkable change in the attitude of many State leaders if there is to be any very massive assumption on the part of the States of what for so long have been Federal responsibilities. The centralization of power in the Twentieth Century has been tremendous; it will take more than a declaration of an Eisenhower policy to reverse this movement, especially when it may appear to be an expensive process to recapture State dominance.

Before the Twentieth Century, a leader would resign from the United States Senate to become Governor of even a small State; now and for more than a generation the reverse has been true and the Federal largesse has had almost everything to do with it. Impassioned addresses may be made in and out of Congress on States' Rights but the States will be reluctant to even accept the return of rights if there is much of a price tag affixed!

As a natural movement of the era, State and local taxes have, on an average, increased over the country although that trend can not be called universal. Indeed, some States make it a point to levy either very light or no income taxes as incentives to residence. However, since World War II all but two States adopted some sort of new taxes or increased rates so that total income has steadily risen. But in 1953, there were fewer increases than in any year since the end of the war.

With the national income steadily rising and all States having some participation, it has been inevitable that basic net worth has increased. Debt rose from about $16 billion in 1946 to somewhat over $33 billion in 1953 but there can be no question of soundness of the bonds nor of those of municipalities. The ratio of local burden to national income has been falling pretty steadily over the last generation.

New revenue sources are always being sought. There has been something of a vogue for revenue bonds for public power, water works and to some limited extent toll bridges and toll roads. It has been strongly suggested that, in a time of emergency and to finance vast public works, this method of financing be greatly expanded. It almost certainly will but there are two considerations which must not be overlooked. These are the very types of actions that require referenda and obviously cannot be taken hastily as one consideration and as the second, the type of public works or undertakings which presumably would in most cases be au-

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Potential Business Stimulant In $100 Billion Backlog In State-Local Projects

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thorized can not be built like Aladdin's Palace in a night. Such works require one, two or more years before in many cases they could even be started.

Much public work already has been authorized and will be continued. State and local expenditures in this field have increased by about $650,000,000 in each year for the last four reaching last year a total of $7,100,000,000.

The Federal Congress has not any intention of completely ceasing its subsidies; indeed such diminution as has occurred is slight. Pending and about to be passed is a measure which will give the States about $1,000,000,000 on a road-building program alone. As these funds are provided only on a State-matching basis, it is a fair assumption that some $2,000,000,000 will become available.

What measures the States and municipalities will attempt can not wisely be predicted in view of the many-faceted situation which has been partially described. But the American public may be very certain that in the States and municipalities it has sound and highly solvent prospective entrepreneurs who, if they undertake anything, will assuredly be good for it!

Reforming the Tax Structure

The present Federal tax system is the result of a long succession of Congressional enactments in response to the great increase in the activities of Government during the past generation. During this time, many new Federal taxes were imposed and steep increases were repeatedly made in the rates of such established taxes as those on personal and corporate incomes. Federal taxes were increased in the thirties to defray part of the costs of a broad intervention by Government in economic affairs, largely directed at relieving distress caused by unemployment and lower prices and incomes. Taxes rose still further during the forties, as a result of huge Federal expenditures for military purposes during World War II, and—after the war—for financing national security and reconstru tion abroad. The controlling co sideration in increasing taxes w the urgent need for revenue, a inadequate consideration w given to the long-run effects tax increases on incentives.

There is evidence that the pre ent structure of the Federal ta system—irrespective of the re enue level — contains many fe tures that are unnecessarily r stricting economic progres Some features lead taxpayers resort to devices for evading ta payments. Some lessen producti effort or lead to less efficient ma agement of resources. Other may dampen consumer expend tures and business investment.

These adverse effects of th current Federal tax system on th growth of the economy have n become fully apparent, because inflationary conditions that hav prevailed during most of the pa decade. A tax system that ma have been tolerable under infl tionary conditions, if left u changed, cannot be expected to consistent with the requiremen for maximum economic growt and stability—after inflation h been stopped.

It is therefore timely to rea just the Federal tax system serve the interests of a dynam and growing, but non-inflatio ary, economy. The structure the Federal tax system can a should be altered so as to appo tion the burden more equitab among taxpayers, to unlea new incentives to econom growth, and to make the syste operate more effectively as stabilizer. The opportunity to i prove the tax structure should seized promptly, even thoug general reductions in tax rat must be deferred. Among t paramount objectives of Feder tax reform are those of providi greater equity to consumers, pr viding more powerful incenti for work, investment, emplo ment, and efficient manageme and making the tax structu more stabilizing in its operatio These objectives will not achieved quickly; yet the bro directions of reform are cle enough. With long-run goals view, it is possible to move to ard them, step by step.

As it becomes possible to r duce the expenditures of the Fe eral Government, without impai ing the performance of necessa functions or shirking repson bility for maintaining a sta

nd prosperous economy, taxes hould be brought down. Such re-luctions will usefully widen the rea of private economic activity.

A beginning was made in the pplication of these principles on January 1 of this year, when the xcess profits tax was permitted to xpire and when a reduction in ndividual income taxes averag-ng about 10 percent for most axpayers brought such taxes ack to pre-1951 levels. These ac-ions have improved the outlook or investment, as previously oted. They have also released onsumer income for expenditure, nd thus again provided a timely timulus to the economy. The orce of this stimulus was some-what reduced, though by no neans offset, by the concurrent ise of 1 percent in the combined mployer and employee rates of ax on payrolls for old-age and urvivors insurance.

The continued large require-nents of the Federal Government or revenues to meet expenditure or national security and other urposes, combined with the cur-ent condition of the American conomy, which is marked by a eassuring measure of price sta-ility and a high level of opera-ions, make it unwise to enact a urther broad reduction in taxes t this time.

— Economic Report to the President

The Trend of Events

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achine tools obsolete.

It is a delusion to believe that hose obsolete machines, because hey require manpower to run ach one of them, make jobs. obs, in the only sense that *makes* ense, namely the power to com-and goods and services for one's bor, depend upon production. If e long ordeal of the 1930's ught us anything, it should have ught us that the multiplication currency, in the absence of in-eased production, puts no more oods in users' hands. Better tools ould make more goods available r the same number of hours orked; those goods would be heaper, and revive demand.

The machine tool industry, asting along at a rate of some ,000 tools a year, would have elve years' work making a mil-on new tools. Of course, if any ive for bringing the whole econ-omy up to the level of today's best technology began, the industry would expand in a hurry.

Actually, the obsolescence of machine tools themselves is only one phase of a problem to which industry should be paying greater attention at this time. This is the growing use of controls—moves toward what some observers hail with delight and some view with alarm as the automatic factory.

Controls, so far, are largely bought by the industries which couldn't perform without them. This means the continuous proces-sing chemical manufacturers and their close relatives, the oil refin-ers. Here pressures, temperatures and reactions must be dealt with so suddenly that human recogni-tion and response are hopelessly too slow for competence.

Henry F. Dever, president of the Industrial Division of Min-neapolis-Honeywell Regulator Co., largest maker of controls, has been preaching constantly the ne-cessity for regarding any indus-trial production chain from mine or field to consumer as a continu-ous process. This concept, which he calls system engineering, aims to fit the controls and the tools into the process of manufacture at the places they are most need-ed, so that improvement can be gaited to resources.

More investment in better ma-chine tools, to do some of the worker's pulling and hauling, and more investment in controls to do some of his routine thinking, will bring us more goods and more services for more people, at a lower total cost in human exer-tion. That is, or should be, the goal of industrial progress. It is not to be attained by a cry for more idleness disguised as work-ing time.

(In the next issue, a compre-hensive article on the mechaniza-tion of industry will appear.)

CAPITAL OUTLAYS IN A BUSINESS DOWNTURN . . . A preliminary survey indicates that capital ex-penditures in 1954 will be about

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The Trend of Events

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4% under 1953. Projected spending is $27.2 billion compared with $28.4 billion in the previous year. The estimated decline is by no means startling and, if held to 4%, would offer considerable assurance that business conditions would not deteriorate too much from present lower levels. However, a very large percentage of estimated expenditures for 1954 is a carryover from projects started last year and the year before. As these particular projects will near completion in the next few months, it is quite possible that new capital outlays projected after that time may be well below the previous rate. While this might not materially affect 1954 totals for new capital expenditures, it is conceivable that, unless there is a substantial recovery in industrial operations, businessmen may decide on a policy of less spending for new plant and equipment looking ahead to the end of the year and 1955.

At present, there are many tentative plans for large-scale expenditures by a number of leading corporations but these plans are subject to revision, depending on the general trend of business. Yet, as we know, the trend of business itself is to some extent at least governed by the rate of capital expenditures. In this respect, it is probably true that the responsible heads of corporations will be influenced in their decision by an appraisal of their company's position and prospects on an individual basis rather than by any opinions they may hold on the business outlook in general. Under these conditions, one may expect business concerns to tailor their capital expenditures more closely to immediate needs than has been the case for some time.

CORPORATE TAX POSITION AND TAXES... Review of the balance sheets of leading corporations which have been issued to date indicates that as of the close of 1953, practically all the large concerns were exceedingly well supplied with cash. In most cases, however, the building up of cash reserves was due to the need to meet March 15 and, also June 15 federal tax obligations. Under the "Mills" Act, the percentage o corporate tax payments require has been increasing so that, in stead of being stretched out i four quarters evenly as was th case in former years, 90% of pay ments must now be made by Jun 15, divided equally betwee March 15 and June 15.

Pressure to meet almost th entire year's tax pyments in th first half necessarily restricts th ability of corporations to rais cash dividends, even where earn ings would justify such an in crease. By the same token, wit tax pressure reduced to a min mum in the final half of the yea corporations in a good earning position can more easily justify more liberal dividend policy tha if they still had to face heavy ta payments in the immediate perio The situation, of course, does n apply to companies with a narro margin of earnings over div dends.

A Casebook of Law and Busine

By WILLIAM H. SPENCER
and CORNELIUS W. GILLAM

This work is designed for college te and reference use and is a collection leading cases illustrating the main pri ciples of legal topics most significa in the business world.

These subjects are covered: jurispr dence and the sociology of law, perso torts, contracts, agency, partnersh and the corporation, bailments, sal negotiable instruments. An explanati and analysis of the case method, intr ductory text material, problem qu tions, carefully selected reading ref ences, and four of the most useful u form statutes are included. Organi tion is functional. More complete a intensive treatment of fewer subje with view to development of studen ability in legal analysis. Orientati toward the broader social context law, especially in its functioning as economic institution. Inclusion of ca decided under common law as well under statute. Emphasis on leadi cases most significant sociologically.

McGraw Hill $8

Boeing Airplane

The annual statement of Bo ing has just been issued a shows that earnings in 19 amounted to $12.51 a share co pared with $8.67 a share in t previous year. It is anticipat that this company can earn fr $15 to $17 a share in 1954 w the disappearance of the exc profits tax. We have pointed o the excellent prospects for Boei on a number of occasions in t past two years.

BOOK REVIEWS

A Lifetime Investment Program

By THOMAS F. WILLMORE

The unique purpose of this book is to show how an investment program can be assured of long-range success ,regardless of market fluctuations. Through a careful analysis of actual market performance over many years, the book develops a realistic investment goal based on the law of probabilities, and outlines specific methods by which such a goal can be realized.

Stressing the point that "overreaching for profits is the cardinal sin of investment practice," the author exposes the weakness of most currently popular investment theories. At the same time he shows how results above the average achieved by professional investment management over the past generation can be attained with more than usual safety. The methods advocated anticipate an average return of 8 per cent per annum, including income and appreciation, over a period covering several market cycles.

Harper $2.75

Sayonara

By JAMES A. MICHENER

Major Lloyd Gruver was a lucky man.

Son of an Air Corps general and a leading ace in the Korean war, his future seemed assured. And the present wasn't bad, either. For he was on his way to Kobe, assigned by General Mark Webster to serve on the Interservice Aviation Board—and he was about to be reunited with General Webster's beautiful daughter.

His only annoyance was Private Joe Kelly, age nineteen, uneducated, always in trouble. For Kelly wanted to marry one of those dumpy, round-faced Japanese girls—even though he knew soldiers couldn't take their brides home to the United States.

It was only after Gruver visited Takarazuka to see the famed troupe of lovely semi-goddesses performing their ritual dances that he, himself, succumbed to the spell innocently cast by the exquisite dancer, Hana-ogi. But even before he was caught in the passionate heights of this strange liaison, Gruver must have known there could be but one ending . . .

Random House $3.50

Economics in the Public Service

By EDWIN G. NOURSE

Part I presents the philosophical background of national economic policy in the United States and traces the steps that led up to the Employment Act. In Part II this measure is described in action: the appointment of the administrators and the adventures and misadventures attendant on a great new enterprise. Part III tells of the growing tensions and the clash of personalities that resulted in the withdrawal of the chairman; it further contains his considered criticisms and his recommendations for increasing the future usefulness of the Act.

Harcourt, Brace $6.00

Put Your Money To Work For You

By N. H. MAGER and MORTON YARMON

Put Your Money to Work for You gives a down-to-earth approach to the average person's problem of making his savings earn money for him. It shows how investments can provide:

Financial protection for the family in case of death, emergency funds for such family needs as buying a home and educating children, a retirement income, supplementary income, an estate to aid survivors and charities.

This practical handbook offers a description and appraisal of all the avenues of investment open to men and women of every income bracket. It states clearly the basic principles of investment and adapts them to today's high taxes, inflationary pressures and radically changing technology.

Harpers $4.00

Home and Foreign Investment 1870-1913

Studies in Capital Accumulation

By A. K. CAIRNCROSS

The individual chapters in this volume cover a wide range of subjects, but they have a common theme—capital accumulation and the fluctuations that accompany it. Professor Cairncross's study of foreign investment and the dynamics of international trade has focussed on two relationships: between foreign and home investment, and between the migration of capital and that of labour.

The central section of the book, on 'Home and foreign investment in Great Britain, 1870-1913,' is the development of a theme on which Professor Cairncross's work needs no introduction to economists (who will be glad to have this extended treatment readily at hand). But this is a work that also concerns social and economic historians; it shows what part capital accumulation played in the Victorian economic system, how it responded to influences at home and abroad, and how it in turn affected economic development.

Cambridge University Press $5.00

Major Problems of United States Foreign Policy — 1954

Major Problems of United States Foreign Policy gives the reader a brief survey of the present world situation, outlining in a general way the character of international relations since the end of the war and the efforts made by the major powers to co-ordinate these relations in international organizations. An account is given of the fundamental and continuing objectives of the United States, Great Britain, and the Soviet Union, including a description of the official and unofficial mechanisms by which their governments formulate their foreign policies and conduct their foreign relations. The major problems of foreign policy confronting the United States at the end of 1953 are reviewed. Each problem is presented in a functional or geographic setting, with an introductory statement describing the broad problem field or area.

Brookings Institution

The Logic of British and American Industry

P. SARGANT FLORENCE

Considerable new research into the real—not just the legal—seat of power in the British joint stock company has been embodied in this book, and the results compared with the realities of the American corporation. A complete chapter is devoted to an account and assessment of the aims, scope, methods, and efficiency of British planning, nationalization, and consumers' cooperation. The author compares these alternative systems with the British and American early capitalist entrepreneur and the larger-sized capitalist company or corporation regime now prevailing.

Univ. of North Carolina Press $5.0

History of Economic Analysis

By JOSEPH A. SCHUMPETER

Here at long last is a complete history of the theoretical efforts made by men from the time of ancient Greece down to the present day to understand economic phenomena, written by one of the gerat economists and thinkers of our era.

In spite of its technical nature, *History of Economic Analysis* is written lucidly with the deep insight into human affairs that helped to place Schumpeter on a peak beside the great economic thinkers of all time. Far from being a dry narrator of theories, he saw that economics, as a human science, must be considered in the light of the other sciences which go to explain the behavior of men. This work, which could never have been published without the tireless editorial labor of the late Elizabeth Boody Schumpeter, is a fitting monument to the great and dedicated life of her husband.

Oxford University Press $17.5

Power of Words

By STUART CHASE

Challenged by the expansion and the new developments in the vital field of communciation, the author here reports to the intelligent layman, and clarifies the subject in its recent dramatic aspects. Fifteen years ago in *The Tyranny of Words*, Stuart Chase described how he studied semantics in order to improve his own communication as a writer. Semantics, then hardly known to the public, received considerable attention here and abroad through this work. The subject has continued to grow in importance, with books, magazines, societies, special courses in schools and colleges all concentrated upon it.

Harcourt, Brace $3.

Maharani: The Story of an Indian Princess

By BRINDA, Maharani of Kapurtha

Princess Brinda, born in a small Ra put state in the wild and beautif Himalaya country of northern Indi was betrother as a small child to the s of one of India's most elegant princ His father, the Maharajah of Kapu thala, almost as well known in New Yo and Paris and London as in his nati India, was notorious for his extrav gances and for his taste for women.

MAHARANI is a brilliant study contrasts — the luxuries of India at most glamorous—weddings, state rec tions, tiger hunts, elaborate parties—a reminiscences of her travels through Europe, the United States, and Sou America. It is also an intimate pictu of a princess' life, of the responsibilit facing royalty, and of how one wom resolved them.

Henry Holt $3

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